

MOGALAKWENA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2010

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the financial position of Mogalakwena Municipality at 30 June 2010 and the results of its operations and cash flows for the year then ended.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2009/2010 financial period is set out in Directive 4 and Directive 5 issued by the ASB on 11 March 2009.

The Statement of Financial Position at 30 June 2010 indicates an increase in Net Assets, and an increase in Non-current Liabilities and a decrease in Current Liabilities.

The increase in Net Assets is ascribed primarily to the increase in Accumulated Surplus as a result of the surplus generated on the operating account. The increase in Non-current Liabilities is primarily as a result of the increases in Retirement Benefit Liabilities and Long-service Benefits. The decrease in Current Liabilities is primarily as a result of the decrease in Unspent Conditional Grants.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

Financial Statement Ratios:

INDICATOR	2010	2009
Surplus / (Deficit) before Appropriations	173 576 740	111 951 731
Surplus / (Deficit) at the end of the Year	862 592 877	689 016 137
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	29.94%	28.71%
Remuneration of Councillors	3.40%	3.59%
Collection Costs	0.03%	0.02%
Depreciation and Amortisation	9.50%	11.32%
Impairment Losses	6.50%	9.04%
Repairs and Maintenance	12.73%	15.50%
Interest Paid	0.00%	0.05%
Bulk Purchases	21.71%	17.35%
Contracted Services	3.98%	4.53%
Grants and Subsidies Paid	8.10%	5.52%
General Expenses	4.13%	4.37%
Current Ratio:		
Creditors Days	51	49
Debtors Days	63	57

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

The services offered by Mogalakwena Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2010 are as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	246 928 627	206 038 768	19.85%	-	-
Operating income for the year	556 063 129	468 959 847	18.57%	566 475 886	(1.84)%
Appropriations for the year	(113 301 622)	(88 956 902)	27.37%	-	-
	689 690 134	586 041 712	17.69%	566 475 886	21.75%
Expenditure:					
Operating expenditure for the year	382 486 389	357 008 115	7.14%	411 200 680	(6.98)%
Sundry transfers	-	(17 895 030)	(100.00)%	-	-
Closing surplus / (deficit)	307 203 745	246 928 627	24.41%	155 275 206	97.84%
	689 690 134	586 041 712	17.69%	566 475 886	21.75%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	267 314 350	214 096 765	24.86%	277 856 221	(3.79)%
Expenditure	185 872 846	190 500 646	(2.43)%	202 305 092	(8.12)%
Surplus / (Deficit)	81 441 504	23 596 120	245.15%	75 551 129	7.80%
Surplus / (Deficit) as % of total income	30.47%	11.02%		27.19%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	126 470	123 508	2.40%	104 000	21.61%
Expenditure	51 027	32 284	58.06%	60 108	(15.11)%
Surplus / (Deficit)	75 443	91 224	(17.30)%	43 892	71.88%
Surplus / (Deficit) as % of total income	59.65%	73.86%		42.20%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	39 074 549	47 689 313	(18.06)%	43 383 664	(9.93)%
Expenditure	27 556 513	30 765 766	(10.43)%	27 609 478	(0.19)%
Surplus / (Deficit)	11 518 036	16 923 547	(31.94)%	15 774 186	(26.98)%
Surplus / (Deficit) as % of total income	29.48%	35.49%		36.36%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R66 666 959 (2009: R48 010 619). Tariffs levied for electricity are subject to administered adjustments.

The envisaged introduction of REDS (Regional Electricity Distribution Suppliers), where electricity will be distributed a regional supplier, will impact materially on the Annual Financial Statements of the municipality.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	137 281 749	105 682 632	29.90%	135 827 689	1.07%
Expenditure	99 818 192	73 417 919	35.96%	113 042 884	(11.70)%
Surplus / (Deficit)	37 463 557	32 264 713	16.11%	22 784 805	64.42%
Surplus / (Deficit) as % of total income	27.29%	30.53%		16.77%	

3.5 Water Services:

Water is bought in bulk from Lepelle Northern Water and "Uitloop Water Beleggings" and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R16 356 022 (2009: R13 924 861). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Income	112 266 011	101 367 630	10.75%	109 304 312	2.71%
Expenditure	69 187 811	62 291 501	11.07%	68 183 118	1.47%
Surplus / (Deficit)	43 078 200	39 076 128	10.24%	41 121 194	4.76%
Surplus / (Deficit) as % of total income	38.37%	38.55%		37.62%	

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R150 824 371 (2009: R154 698 263). Full details of Property, Plant and Equipment are disclosed in Note 9 and appendices "B, C and E (2)" to the Annual Financial Statements.

The capital expenditure of R150 824 371 was financed as follows:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Percentage Variance %	Budgeted 2009/2010 R	Variance actual/ budgeted %
Capital Replacement Reserve	18 423 120	37 429 668	(50.78)%	21 014 856	(12.33)%
Grants and Subsidies	132 026 318	117 114 347	12.73%	151 027 629	(12.58)%
Own Funds (Accumulated Surplus)	374 933	-	-	-	-
	150 824 371	154 544 015	(2.41)%	172 042 485	(12.33)%

Source of funding as a percentage of Total Capital Expenditure:

DETAILS	2010	2009
Capital Replacement Reserve	12.21%	24.22%
Grants and Subsidies	87.54%	75.78%
Own Funds (Accumulated Surplus)	0.25%	-

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2010	2009
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	155 275 206	79 531 898
Revenue variances	(10 412 757)	31 952 473
Expenditure variances:		
Employee Related Costs	10 734 213	5 213 301
Remuneration of Councillors	433 922	11 125
Collection Costs	183 524	65 661
Depreciation and Amortisation	10 839 061	(2 415 376)
Impairment Losses	(3 376 566)	(12 593 909)
Repairs and Maintenance	(4 189 103)	(1 423 037)
Interest Paid	-	(194 337)
Bulk Purchases	7 174 600	4 779 819
Contracted Services	1 892 309	154 794
Grants and Subsidies Paid	(4 464 805)	992 886
General Expenses	9 487 135	5 876 435
Loss on disposal of Property, Plant and Equipment	-	-
Actual surplus before appropriations	173 576 740	111 951 731

DETAILS	2010	2009
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	155 275 206	79 531 898
Executive and Council	3 374 300	(7 903 270)
Finance and Administration	25 071 054	15 864 537
Planning and Development	2 906 906	(277 583)
Health	29 620	9 167
Community and Social Services	(214 064)	386 404
Housing	31 551	28 110
Public Safety	852 249	1 733 484
Sport and Recreation	(185 721)	1 116 449
Environmental Protection	221 930	16 059
Waste Management	(4 256 150)	6 412 797
Roads and Transport	(25 964 468)	(1 315 527)
Water	1 957 006	2 709 082
Electricity	14 678 752	14 935 354
Other	(201 430)	(1 295 229)
Actual surplus before appropriations	173 576 740	111 951 731

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

4.2 Capital Budget:

DETAILS	Actual 2009/2010 R	Actual 2008/2009 R	Variance actual 2009/10 / 2008/09 R	Budgeted 2009/2010 R	Variance actual/ budgeted R
Executive and Council	322 706	534 117	(211 411)	44 001	278 705
Finance and Administration	584 479	963 457	(378 978)	846 463	(261 984)
Planning and Development	356 212	710 011	(353 799)	533 000	(176 788)
Health	-	42 534	(42 534)	-	-
Community and Social Services	2 572 567	47 501	2 525 066	2 497 859	74 708
Housing	-	468	(468)	-	-
Public Safety	611 286	794 591	(183 306)	652 401	(41 115)
Sport and Recreation	2 206 606	346 036	1 860 570	1 950 216	256 390
Environmental Protection	3 649	-	3 649	5 000	(1 351)
Waste Management	17 843 873	35 233 923	(17 390 051)	21 967 487	(4 123 614)
Roads and Transport	55 980 691	7 330 597	48 650 094	60 284 289	(4 303 598)
Water	87 273 295	15 567 971	71 705 323	59 827 517	27 445 778
Electricity	35 190 328	6 372 543	28 817 785	22 526 974	12 663 354
Other	2 855 458	3 596 189	(740 731)	907 278	1 948 180
	205 801 149	71 539 938	134 261 211	172 042 485	33 758 664

Details of the results per segmental classification of capital expenditure are included in Appendix "C", together with a criptic explanation of significant variances of more than 5% from budget, are included in Appendix "E (2)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2010 amounted to R862 592 877 (30 June 2009: R689 016 137) and is made up as follows:

Capital Replacement Reserve	21 049 770
Capitalisation Reserve	97 298 065
Donations and Public Contributions Reserve	553 323
Government Grants Reserve	436 487 973
Accumulated Surplus	<u>307 203 745</u>
	<u>862 592 877</u>

The Capital Replacement Reserve replaces the previous statutory funds, like the Capital Development Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability of cash, is made annually to the reserve.

The Capitalisation Reserve is utilised to offset the cost of depreciation of assets funded from Internal Advances (not applicable anymore) over the lifespan of such assets.

The Donations and Public Contributions Reserve is utilised to offset the cost of depreciation of assets funded from Contributions from Public over the lifespan of such assets. Amounts equal to the cost of assets acquired from Public Contributions are transferred to the reserve annually.

The Government Grants Reserves are utilised to offset the cost of depreciation of assets funded from Government Grants over the lifespan of such assets. Amounts equal to the cost of assets acquired from Government Grants are transferred to the reserve annually.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to Note 21 and the Statement of Change in Net Assets for more detail.

6. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2010 was R30 415 468 (30 June 2009: R29 845 680).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 18 for more detail.

7. NON-CURRENT PROVISIONS

Non-current Provisions amounted R5 955 133 as at 30 June 2010 (30 June 2009: R5 836 412) and is made up as follows:

Provision for Long-term Service	4 115 594
Provision for Rehabilitation of Land-fill Sites	<u>1 839 539</u>
	<u>5 955 133</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 19 for more detail.

8. CURRENT LIABILITIES

Current Liabilities amounted R108 329 320 as at 30 June 2010 (30 June 2009: R113 782 870) and is made up as follows:

Consumer Deposits	Note 13	13 294 405
Provisions	Note 14	1 899 986
Creditors	Note 15	53 675 492
Unspent Conditional Grants and Receipts	Note 16	39 459 438
		<u>108 329 320</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

9. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R745 973 986 as at 30 June 2010 (30 June 2009: R631 847 613).

An audit of all assets was done during the year during the process of compiling the asset register and to adhere to the GRAP Accounting Standards in terms of the identification, componentising and measurement of assets.

Refer to Note 9 and Appendices "B, C and E (2)" for more detail.

10. INTANGIBLE ASSETS

The net value of Intangible Assets were R1 126 016 as at 30 June 2010 (30 June 2009: R1 988 883).

These are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

An audit of all assets was done during the year during the process of compiling the asset register and to adhere to the GRAP Accounting Standards in terms of the identification, componentising and measurement of assets.

Refer to Note 10 and Appendix "B" for more detail.

11. INVESTMENT PROPERTIES

The net value of Investment Properties were R4 864 000 as at 30 June 2010 (30 June 2009: R4 864 000).

An audit of all assets was done during the year during the process of compiling the asset register and to adhere to the GRAP Accounting Standards in terms of the identification, componentising and measurement of assets.

Refer to Note 11 and Appendix "B" for more detail.

12. LONG-TERM RECEIVABLES

Long-term Receivables of R2 900 716 at 30 June 2010 (30 June 2009: R56 008) is made up as follows:

Debtors Capitalised Loans	7 081 977
Removal Cost Loans	2 267
Sale of Stand Loans	939 221
Study Cost Loans	58 826
	<u>8 082 291</u>
Less: Short-term portion included in Current Assets	<u>5 181 575</u>
	<u>2 900 716</u>

The increase in the amount for Long-term Receivables is due to the increased amount of debt arrangements entered into with consumer debtors.

Refer to Note 12 for more detail.

13. CURRENT ASSETS

Current Assets amounted R252 428 079 as at 30 June 2010 (30 June 2009: R199 724 596) and is made up as follows:

Inventory	Note 2	5 580 259
Consumer Debtors	Note 4	34 630 399
Other Debtors	Note 5	13 310 734
VAT Receivable	Note 6	8 391 394
Bank Balances and Cash	Note 7	185 253 738
Operating Lease Assets	Note 8	79 980
Current Portion of Long-term Debtors	Note 12	<u>5 181 575</u>
		<u>252 428 079</u>

The increase in the amount for Current Assets is mainly due to the increased amount held in Bank and Cash Equivalents.

Refer to the indicated Notes for more detail.

14. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 16 and 26, and Appendix "F" for more detail.

15. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 55.

16. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format.

17. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2010

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

		Actual	
	Note	2010 R	2009 R
ASSETS			
Current Assets		252 428 079	199 724 596
Inventory	2	5 580 259	5 568 214
Consumer Debtors	4	34 630 399	26 303 455
Other Debtors	5	13 310 734	9 538 449
VAT Receivable	6	8 391 394	17 141 423
Bank, Cash and Cash Equivalents	7	185 253 738	137 350 338
Operating Lease Assets	8	79 980	90 649
Current Portion of Long-term Receivables	12	5 181 575	3 732 068
Non-Current Assets		754 864 719	638 756 503
Property, Plant and Equipment	9	745 973 986	631 847 613
Intangible Assets	10	1 126 016	1 988 883
Investment Property	11	4 864 000	4 864 000
Long-term Receivables	12	2 900 716	56 008
Total Assets		1 007 292 798	838 481 099
LIABILITIES			
Current Liabilities		108 329 320	113 782 870
Consumer Deposits	13	13 294 405	11 608 521
Provisions	14	1 899 986	2 587 495
Creditors	15	53 675 492	48 169 735
Unspent Conditional Grants and Receipts	16	39 459 438	51 411 309
Operating Lease Liabilities	17	-	5 809
Non-Current Liabilities		36 370 601	35 682 092
Retirement Benefit Liabilities	18	30 415 468	29 845 680
Non-current Provisions	19	5 955 133	5 836 412
Total Liabilities		144 699 921	149 464 963
Total Assets and Liabilities		862 592 877	689 016 137
NET ASSETS		862 592 877	689 016 137
Accumulated Surplus / (Deficit)	21	862 592 877	689 016 137
Total Net Assets		862 592 877	689 016 137

MOGALAKWENA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

Budget			Actual		
2009 R	2010 R		Note	2010 R	2009 R
REVENUE					
29 000 000	29 600 000	Property Rates	22	30 446 236	28 925 393
132 335 760	162 330 610	Service Charges	23	170 631 037	139 220 589
268 750	270 715	Rental of Facilities and Equipment	24	600 378	400 600
12 000 000	10 500 000	Interest Earned - External Investments	25	13 144 398	16 970 968
3 630 000	2 130 000	Interest Earned - Outstanding Debtors	25	16 079 093	12 057 060
1 082 657	1 136 755	Fines		1 338 610	1 204 818
65 734	73 438	Licences and Permits		75 793	63 876
4 180 387	5 850 493	Income for Agency Services		7 283 206	6 582 779
245 413 441	349 565 889	Government Grants and Subsidies Received	26	308 438 651	250 784 997
3 000 000	344 810	Public Contributions and Donations	27	503 860	3 635 283
2 030 645	2 673 176	Other Income	28	3 670 378	3 439 560
-	-	Gains on Disposal of Property, Plant and Equipment		-	73 523
4 000 000	2 000 000	Profit on Sale of Land:-		3 851 489	5 600 401
4 000 000	2 000 000	Sale of Land		3 851 489	5 600 401
-	-	Cost of Sales		-	-
437 007 374	566 475 886	Total Revenue		556 063 129	468 959 847
EXPENDITURE					
107 707 359	125 237 402	Employee Related Costs	29	114 503 189	102 494 058
12 812 605	13 437 785	Remuneration of Councillors	30	13 003 863	12 801 480
150 000	285 000	Collection Costs		101 476	84 339
38 004 700	47 170 085	Depreciation and Amortisation	31	36 331 024	40 420 076
19 676 046	21 472 777	Impairment Losses	32	24 849 343	32 269 955
53 918 269	44 511 111	Repairs and Maintenance		48 700 214	55 341 306
-	-	Finance Costs	33	-	194 337
66 715 299	90 197 581	Bulk Purchases	34	83 022 981	61 935 480
16 343 218	17 114 768	Contracted Services	35	15 222 459	16 188 424
20 683 165	26 507 911	Grants and Subsidies Paid	36	30 972 716	19 690 279
21 464 815	25 266 260	General Expenses	37	15 779 125	15 588 380
357 475 476	411 200 680	Total Expenditure		382 486 389	357 008 115
79 531 898	155 275 206	SURPLUS / (DEFICIT) FOR THE YEAR		173 576 740	111 951 731
Refer to Appendix E(1) for explanation of budget variances					

MOGALAKWENA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

Description	Revaluation Reserve	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R
2009			
Balance at 30 June 2008	138 926 699	527 137 644	666 064 343
Change in Accounting Policy (Note 39)		13 335 249	13 335 249
Correction of Error (Note 40)	(138 926 699)	33 714 556	(105 212 143)
Restated Balance	-	574 187 450	574 187 450
Surplus / (Deficit) for the year		111 951 731	111 951 731
Contributions to Funds and Reserves		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Offsetting of Depreciation	-	2 876 956	2 876 956
Balance at 30 June 2009	-	689 016 137	689 016 137
2010			
Change in Accounting Policy (Note 39)		-	-
Correction of Error (Note 40)		-	-
Restated Balance	-	689 016 137	689 016 137
Surplus / (Deficit) for the year		173 576 740	173 576 740
Contributions to Funds and Reserves		-	-
Grants utilised to obtain PPE		-	-
Funds and Reserves utilised to finance PPE		-	-
Offsetting of Depreciation	-	-	-
Balance at 30 June 2010	-	862 592 877	862 592 877

Details on the movement of the Funds and Reserves are set out in Note 21.

MOGALAKWENA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

		Actual	
	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		509 527 817	432 283 245
Cash paid to Suppliers and Employees		(294 227 847)	(308 591 305)
Cash generated from / (utilised in) Operations	41	215 299 970	123 691 940
Interest received	25	13 144 398	16 970 968
Interest paid	33	-	(194 337)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		228 444 368	140 468 571
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(178 552 149)	(154 698 263)
Purchase of Intangible Assets	10	(118 225)	-
Proceeds on Disposal of Property, Plant and Equipment		-	339 416
Profit on Sale of Land		3 851 489	5 600 401
Decrease / (Increase) in Long-term Receivables	12	(5 722 083)	7 277 739
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(180 540 968)	(141 480 707)
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans raised	N/A	-	-
Loans repaid	N/A	-	-
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	47 903 400	(1 012 136)
Cash and Cash Equivalents at the beginning of the year		137 350 338	138 362 474
Cash and Cash Equivalents at the end of the year		185 253 738	137 350 338

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010 **2009**
R **R**

1. GENERAL INFORMATION

Mogalakwena Municipality (the municipality) is a local government institution in Mokopane, Limpopo Province, and is one of seven local municipalities under the jurisdiction of the Waterberg District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and aims to comply fully with GRAP by 30 June 2011.

2. INVENTORY

Consumable Stores - at cost	4 227 651	4 198 005
Property Stock	1 286 433	1 296 161
Water - at cost	66 175	74 048
Total Inventory	5 580 259	5 568 214

Inventory has been restated to adhere to the recognition provisions for Water Inventory held by the municipality in terms of GRAP 12. Refer to Note 39.3 on "Change in Accounting Policy" for details of the restatement.

Furthermore, *Inventory* has been restated to adhere to the recognition provisions for Major Spare Parts held by the municipality in terms of GRAP 12. Refer to Note 39.3 on "Change in Accounting Policy" for details of the restatement.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

The cost of water production for the year amounted to R3,64 per kilolitre (2009: R3,51 per kilolitre).

The cost of Inventories recognised as an expense during the period was R8 364 (2009: R8 083) million.

Inventories of R1 121 (2009: R1 374) million are expected to be utilised only after more than twelve months.

Inventories of R2 285 (2009: R3 633) million are held as spare parts for infrastructure assets and have been transferred to Property, Plant and Equipment..

3. NON-CURRENT ASSETS HELD-FOR-SALE

No Non-current Assets are held for disposal.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4. CONSUMER DEBTORS		
	Gross Balances	Provision for Impairment
		Net Balances
As at 30 June 2010		
Service Debtors:	137 636 627	110 117 083
Assessment Rates	44 198 824	32 759 826
Electricity	21 463 334	11 682 951
Refuse	16 851 699	15 430 618
Sewerage	12 085 195	9 868 846
Water	43 037 575	40 374 842
Other Debtors	60 972 742	53 861 888
Total Consumer Debtors	198 609 369	163 978 970
	Gross Balances	Provision for Impairment
		Net Balances
As at 30 June 2009		
Service Debtors:	113 990 204	91 573 850
Assessment Rates	42 130 482	30 804 759
Electricity	15 824 445	9 936 298
Refuse	13 958 777	12 672 024
Sewerage	10 298 971	8 171 226
Water	31 777 529	29 989 543
Other Debtors	53 808 010	49 920 909
Total Consumer Debtors	167 798 214	141 494 759

Consumer Debtors have been restated to correctly classify amounts held for Arrangement Debtors, now included in Long-term Receivables. Refer to Note 39.7 on "Change in Accounting Policy" for details of the restatement.

Consumer Debtors are billed monthly, latest end of month. No interest is charged on trade receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of Consumer Debtors.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

	2010 R	2009 R
4.1 Ageing of Consumer Debtors		
Rates: Ageing		
<u>Current:</u>		
0 - 30 days	3 228 723	2 408 063
<u>Past Due:</u>		
31 - 60 Days	1 543 725	1 475 933
61 - 90 Days	1 004 717	771 990
91 - 120 Days	642 667	816 475
+ 120 Days	37 778 992	36 658 021
Total	44 198 824	42 130 482
Electricity: Ageing		
<u>Current:</u>		
0 - 30 days	9 787 567	6 427 610
<u>Past Due:</u>		
31 - 60 Days	4 974 538	3 669 698
61 - 90 Days	1 155 906	1 802 007
91 - 120 Days	974 727	728 654
+ 120 Days	4 570 597	3 196 476
Total	21 463 334	15 824 445

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Refuse: Ageing		
<u>Current:</u>		
0 - 30 days	686 242	626 085
<u>Past Due:</u>		
31 - 60 Days	487 869	470 843
61 - 90 Days	374 634	367 847
91 - 120 Days	349 976	335 069
+ 120 Days	14 952 978	12 158 934
Total	16 851 699	13 958 777
Sewerage: Ageing		
<u>Current:</u>		
0 - 30 days	688 739	656 108
<u>Past Due:</u>		
31 - 60 Days	421 787	510 633
61 - 90 Days	292 610	399 881
91 - 120 Days	260 269	319 603
+ 120 Days	10 421 789	8 412 745
Total	12 085 195	10 298 971
Water: Ageing		
<u>Current:</u>		
0 - 30 days	2 741 248	2 101 930
<u>Past Due:</u>		
31 - 60 Days	1 726 064	2 949 220
61 - 90 Days	1 436 086	1 008 112
91 - 120 Days	1 473 903	910 604
+ 120 Days	35 660 273	24 807 663
Total	43 037 575	31 777 529
Other Debtors: Ageing		
<u>Current:</u>		
0 - 30 days	1 415 343	1 881 195
<u>Past Due:</u>		
31 - 60 Days	2 270 844	601 213
61 - 90 Days	1 421 630	1 203 203
91 - 120 Days	1 401 734	1 287 276
+ 120 Days	54 463 190	48 835 123
Total	60 972 742	53 808 010

4.2 Summary of Debtors by Customer Classification

	Household R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2010				
<u>Current:</u>				
0 - 30 days	10 288 726	7 316 431	942 703	-
<u>Past Due:</u>				
31 - 60 Days	7 146 205	3 380 435	898 187	-
61 - 90 Days	4 255 996	1 018 816	410 772	-
+ 90 Days	4 075 582	458 955	568 739	-
+ 120 Days	132 301 217	7 310 463	18 236 140	-
Sub-total	158 067 726	19 485 101	21 056 542	-
Less: Provision for Impairment	145 983 499	17 995 471	-	-
Total Debtors by Customer Classification	12 084 227	1 489 630	21 056 542	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2009				
<u>Current:</u>				
0 - 30 days	8 425 184	5 020 704	655 103	-
<u>Past Due:</u>				
31 - 60 Days	6 665 743	2 641 705	370 092	-
61 - 90 Days	4 205 636	959 606	387 798	-
+ 90 Days	3 328 979	654 801	413 901	-
+ 120 Days	109 207 195	6 409 240	18 452 527	-
Sub-total	131 832 737	15 686 057	20 279 420	-
Less: Provision for Impairment	126 449 253	15 045 506	-	-
Total Debtors by Customer Classification	5 383 484	640 551	20 279 420	-

	2010 R	2009 R
4.3 Reconciliation of the Provision for Impairment		
Balance at beginning of year	141 494 759	109 397 282
Impairment Losses recognised	23 421 474	42 904 975
Impairment Losses reversed	-	(10 609 596)
Amounts written off as uncollectable	(937 263)	(197 901)
Amounts recovered	-	-
Balance at end of year	163 978 970	141 494 759

The transactions for *Provision for Impairment* have been restated to correctly classify revenue raised for Interest on Outstanding Billing Debtors, previously included in Impairment Losses on Consumer Debtors. Refer to Note 40.3 on "Correction of Error" for details of the restatement.

Furthermore, the prior year figures and current year transactions for *Provision for Impairment* have been restated to correctly disclose the Impairment of Consumer Debtors in terms of the municipality's Accounting Policy. Refer to Note 40.3 on "Correction of Error" for details of the restatement.

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

4.4 Ageing of impaired Consumer Debtors

<u>Current:</u>		
0 - 30 Days	4 031 301	4 456 082
<u>Past Due:</u>		
31 - 60 Days	10 526 641	9 307 448
61 - 90 Days	5 274 812	5 165 242
91 - 120 Days	4 534 537	3 983 780
+ 120 Days	139 611 680	118 582 207
Long-term Loan Debtors	-	-
Total	163 978 970	141 494 759

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
5. OTHER DEBTORS		
Sundry Deposits	463 060	353 582
Sundry Debtors	12 847 674	9 184 868
	<hr/> 13 310 734	<hr/> 9 538 449
Less: Provision for Impairment	-	-
Total Other Debtors	<hr/> 13 310 734 <hr/>	<hr/> 9 538 449 <hr/>

Other Debtors have been restated to correctly classify amounts held for Unallocated Receipts, now included in Creditors. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Furthermore, *Other Debtors* have been restated to correctly classify amounts held for money receivable for services rendered as at 30 June. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Sundry Deposits are in respect of cash deposits made to Eskom for the supply of electricity.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality. Included in Sundry Debtors is an amount of R8 680 (2009: R7 857) million in respect of the consumption of metered services not billed as at 30 June.

The municipality does not hold deposits or other security for its Other Debtors.

None of the Other Debtors have been pledged as security for the municipality's financial liabilities.

5.1 Ageing of Other Debtors

<u>Current:</u>		
0 - 30 days	13 310 734	9 538 449
<u>Past Due:</u>		
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
+ 120 Days	-	-
Total	<hr/> 13 310 734 <hr/>	<hr/> 9 538 449 <hr/>

As at 30 June no Other Debtors were past due but not impaired.

5.2 Reconciliation of Provision for Impairment

No Provision for Impairment was calculated as the management is of the opinion that all Other Debtors are recoverable within normal credit terms.

6. VAT RECEIVABLE

Vat Receivable	<hr/> 8 391 394 <hr/>	<hr/> 17 141 423 <hr/>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
7. BANK, CASH AND CASH EQUIVALENTS		
Bank, Cash and Cash Equivalents	185 253 738	137 350 338
Total Bank, Cash and Cash Equivalents	<u>185 253 738</u>	<u>137 350 338</u>

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

7.1 Current Investment Deposits

Call Deposits	11 618 097	23 213 703
Notice Deposits	156 000 000	106 000 000
Total Current Investment Deposits	<u>167 618 097</u>	<u>129 213 703</u>

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 6,20 % to 8,50 % (2009: 11,60% to 15,60%) per annum.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest rates varying from 6,35 % to 7,48 % (2009: 7,15 % to 12,11 %)per annum.

Deposits of R40 401 948 (2009: R51 411 309) are attributable to Unspent Conditional Grants.

Deposits of R21 049 780 (2009: R13 563 426) are attributable to the Capital Replacement Reserve.

Deposits of R0 (2009: R11 452 297) are committed through a letter of credit for the buying of transformers.

7.2 Bank Accounts

Cash in Bank	17 614 236	8 116 130
Total Bank Accounts	<u>17 614 236</u>	<u>8 116 130</u>

The Municipality has the following bank accounts:

Primary Bank Account

Standard Bank - Mokopane Branch, Mokopane - Account Number 031 264 344:

Cash book balance at beginning of year	8 116 130	3 122 176
Cash book balance at end of year	<u>17 614 236</u>	<u>8 116 130</u>
Bank statement balance at beginning of year	10 127 043	3 845 134
Bank statement balance at end of year	<u>18 666 364</u>	<u>10 127 043</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

7.3 Cash and Cash Equivalents

Cash Floats and Advances	21 405	20 505
Total Cash on hand in Cash Floats, Advances and Equivalents	<u>21 405</u>	<u>20 505</u>

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
8. OPERATING LEASE ASSETS / RECEIVABLES		
Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:		
Balance at beginning of year	90 649	86 163
Operating Lease Revenue recorded	258 459	270 788
Operating Lease Revenue effected	(269 128)	(266 302)
Total Operating Lease Assets	79 980	90 649

Operating Lease Assets have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 39.4 on "Change in Accounting Policy" for details of the restatement.

8.1 Leasing Arrangements

The Municipality as Lessor:

Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 84 (2009: 2 to 85) years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

8.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	247 833	269 128
2 to 5 years	281 455	500 996
More than 5 years	49 574	77 866
Total Operating Lease Arrangements	578 862	847 990

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an decrease in current year income of R13 276 (2009: R2 098).

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9. PROPERTY, PLANT AND EQUIPMENT

During the year under the review the municipality corrected errors on its Asset Register relating to Immovable Assets that were previously under the control of the municipality, but that were not recorded on its Asset Register and Immovable Assets that were recorded at global amounts and not initially measured and recorded in the significant components making up the Immovable Assets. As sufficient historical data on Immovable Assets, relating to initial cost prices of the Immovable Assets, was available to the municipality, all Immovable Assets are have been recorded at Original Cost at 30 June 2008. The process followed was done in order to correct the initial measurement of the infrastructure assets as is allowed in terms of GRAP 17.24. See Note 39.5.

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
R	R	R	R	R	R	R
Carrying values at 01 July 2009	87 856 937	432 672 885	73 420 143	5 752 544	32 145 103	631 847 613
Cost	93 465 542	618 853 737	108 914 423	5 752 544	45 507 008	872 493 253
- Completed Assets	93 465 542	566 722 023	106 435 352	5 752 544	45 141 014	817 516 475
- Under Construction	-	52 131 714	2 479 071	-	365 994	54 976 779
Correction of error (Note 40)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
- Cost	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
- Revaluation	-	-	-	-	-	-
Acquisitions	24 401	106 556 542	4 782 231	-	9 799 871	121 163 044
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	55 214 246	2 174 858	-	-	57 389 104
- Cost	-	55 214 246	2 174 858	-	-	57 389 104
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(759 553)	(21 820 189)	(3 968 682)	-	(8 801 508)	(35 349 933)
- Based on Cost	(759 553)	(21 820 189)	(3 968 682)	-	(8 801 508)	(35 349 933)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(25 262 900)	(2 402 878)	-	(62 000)	(27 727 778)
Other Movements	-	(1 348 064)	-	-	-	(1 348 064)
- Cost	-	(1 348 064)	-	-	-	(1 348 064)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2010	87 121 785	546 012 519	74 005 672	5 752 544	33 081 466	745 973 986
Cost	93 489 943	754 013 560	113 468 634	5 752 544	55 244 879	1 021 969 560
- Completed Assets	93 489 943	671 930 501	111 217 582	5 752 544	54 940 885	937 331 455
- Under Construction	-	82 083 059	2 251 052	-	303 994	84 638 105
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)
- Cost	(6 368 158)	(208 001 041)	(39 462 962)	-	(22 163 413)	(275 995 573)
- Revaluation	-	-	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2009

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Heritage	Other	Total
	R	R	R	R	R	R
Carrying values at 01 July 2008	103 231 696	378 191 244	82 201 098	-	(50 708 997)	512 915 042
Cost	111 407 278	475 602 967	85 709 064	-	44 503 848	717 223 157
- Completed Assets	111 407 278	409 642 526	83 224 447	-	44 398 718	648 672 970
- Under Construction	-	65 960 441	2 484 617	-	105 130	68 550 187
Correction of error (Note 40)	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(8 175 582)	(97 411 722)	(3 507 965)	-	(95 212 846)	(204 308 115)
- Cost	(8 175 582)	(97 411 722)	(3 507 965)	-	(95 212 846)	(204 308 115)
- Revaluation	-	-	-	-	-	-
Acquisitions	-	96 762 247	2 198 765	-	7 622 323	106 583 334
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions:	-	45 451 187	2 402 878	-	260 864	48 114 929
- Cost	-	45 451 187	2 402 878	-	260 864	48 114 929
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(4 116 568)	(25 686 397)	(3 421 872)	-	(6 311 097)	(39 535 933)
- Based on Cost	(4 116 568)	(25 686 397)	(3 421 872)	-	(6 311 097)	(39 535 933)
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Disposals:	-	(89 416)	-	-	(176 477)	(265 893)
- Cost	-	(89 416)	-	-	(497 928)	(587 344)
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	321 451	321 451
- Based on Cost	-	-	-	-	321 451	321 451
- Based on Revaluation	-	-	-	-	-	-
Carrying value of Transfers to Held-for-Sale:	-	-	-	-	-	-
- Cost	-	-	-	-	-	-
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	-	-	-	-	-	-
- Based on Cost	-	-	-	-	-	-
- Based on Revaluation	-	-	-	-	-	-
Decreases in Revaluation	-	-	-	-	-	-
Impairment Losses	-	-	-	-	-	-
Capital under Construction - Completed	-	(59 279 914)	(2 408 423)	-	-	(61 688 337)
Other Movements	(11 258 192)	(2 676 066)	(7 552 303)	5 752 544	81 458 488	65 724 471
- Cost	(17 941 736)	60 406 666	21 012 139	5 752 544	(6 382 099)	62 847 515
- Revaluation	-	-	-	-	-	-
- Accumulated Impairment Losses	-	-	-	-	-	-
- Accumulated Depreciation	6 683 544	(63 082 732)	(28 564 443)	-	87 840 587	2 876 956
- Based on Cost	6 683 544	(63 082 732)	(28 564 443)	-	87 840 587	2 876 956
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2009	87 856 937	432 672 885	73 420 143	5 752 544	32 145 103	631 847 613
Cost	93 465 542	618 853 737	108 914 423	5 752 544	45 507 008	872 493 253
- Completed Assets	93 465 542	566 722 023	106 435 352	5 752 544	45 141 014	817 516 475
- Under Construction	-	52 131 714	2 479 071	-	365 994	54 976 779
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
- Cost	(5 608 605)	(186 180 851)	(35 494 280)	-	(13 361 905)	(240 645 641)
- Revaluation	-	-	-	-	-	-

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, Plant and Equipment has been restated to adhere to the recognition provisions for Major Spare Parts held by the municipality in terms of GRAP 12. Refer to Note 39.3 on "Change in Accounting Policy" for details of the restatement.

Other movements of Property, Plant and Equipment to the amount of R1 348 064 are in respect of the transfer of Major Spare Parts (2009: R65 724 471, mainly completed infrastructure transferred from Work-in-Progress).

Refer to Appendices "B, C and E (2)" for more detail on Property, Plant and Equipment, including those in the course of construction.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

9. PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and held for disposal:

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

9.3 Assets pledged as security:

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment:

Impairment of Property, Plant and Equipment was taken into consideration by the consultants, PriceWaterhouseCoopers/Combined Systems Group (Consortium), during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The Remaining Useful Life of Property, Plant and Equipment was taken into consideration by the consultants, PriceWaterhouseCoopers/Combined Systems Group (Consortium), during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

9.6 Land and Buildings carried at Fair Value:

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
10. INTANGIBLE ASSETS		
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	<u>1 126 016</u>	<u>1 988 883</u>
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2009	1 988 883	1 988 883
Cost	3 564 086	3 564 086
Accumulated Amortisation	(1 575 204)	(1 575 204)
Acquisitions:	118 225	118 225
Purchased	118 225	118 225
Internally Developed	-	-
Amortisation:	(981 091)	(981 091)
Purchased	(981 091)	(981 091)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Transfers:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2010	1 126 016	1 126 016
Cost	3 682 311	3 682 311
Accumulated Amortisation	(2 556 295)	(2 556 295)
	Computer Software	Total
Carrying values at 01 July 2008	2 873 026	2 873 026
Cost	3 564 086	3 564 086
Accumulated Amortisation	(691 060)	(691 060)
Acquisitions:	-	-
Purchased	-	-
Internally Developed	-	-
Amortisation:	(884 143)	(884 143)
Purchased	(884 143)	(884 143)
Internally Developed	-	-
Disposals:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Transfers:	-	-
At Cost	-	-
At Accumulated Amortisation	-	-
Carrying values at 30 June 2009	1 988 883	1 988 883
Cost	3 564 086	3 564 086
Accumulated Amortisation	(1 575 204)	(1 575 204)

Intangible Assets have been restated to correctly classify amounts held for Computer Software, previously included in Property, Plant and Equipment. Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

10.1 Significant Intangible Assets:

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 102 and SIC 32, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

2010
R **2009**
R

10.2 Intangible Assets with Indefinite Useful Lives:

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

10.3 Impairment of Intangible Assets:

Impairment of Intangible Assets was taken into consideration during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

11. INVESTMENT PROPERTY

At Cost less Accumulated Depreciation

4 864 000 **4 864 000**

The movement in Investment Property is reconciled as follows:

Carrying values at 1 July

4 864 000 **4 864 000**

Cost

4 864 000 4 864 000

Accumulated Depreciation

- -

Acquisitions during the Year

- -

Depreciation during the Year

- -

Disposals during the Year:

- -

At Cost

- -

At Accumulated Depreciation

- -

Transfers during the Year:

- -

At Cost

- -

At Accumulated Depreciation

- -

Carrying values at 30 June

4 864 000 **4 864 000**

Cost

4 864 000 4 864 000

Accumulated Depreciation

- -

Estimated Fair Value of Investment Property at 30 June

4 860 000 **4 864 000**

Investment Property has been restated to adhere to the disclosure provisions for Investment Property under the "Cost Model". Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:		
Rental Revenue earned from Investment Property	301 351	69 410

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

11.1 Investment Property carried at Fair Value:

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Impairment of Investment Property:

Impairment of Investment Property was taken into consideration during the process of identifying, componentising and measuring Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

12. LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2010			
Debtors Capitalised Loans	8 686 407	1 604 430	7 081 977
Removal Cost Loans	2 267	-	2 267
Sale of Stand Loans	939 221	-	939 221
Study Cost Loans	58 826	-	58 826
Vehicle Loans	-	-	-
	<u>9 686 721</u>	<u>1 604 430</u>	<u>8 082 291</u>
Less: Current Portion transferred to Current Receivables:-			5 181 575
Debtors Capitalised Loans			4 183 301
Removal Cost Loans			227
Sale of Stand Loans			939 221
Study Cost Loans			58 826
Vehicle Loans			-
Total Long-term Receivables			<u><u>2 900 716</u></u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R	
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2009			
Debtors Capitalised Loans	2 135 429	176 562	1 958 867
Removal Cost Loans	4 987	-	4 987
Sale of Stand Loans	1 741 948	-	1 741 948
Study Cost Loans	60 984	-	60 984
Vehicle Loans	21 289	-	21 289
	<u>3 964 638</u>	<u>176 562</u>	<u>3 788 076</u>
Less: Current Portion transferred to Current Receivables:-			3 732 068
Debtors Capitalised Loans			1 904 900
Removal Cost Loans			2 947
Sale of Stand Loans			1 741 948
Study Cost Loans			60 984
Vehicle Loans			21 289
Total Long-term Receivables			<u>56 008</u>

Long-term Receivables have been restated to correctly classify amounts held for Arrangement Debtors, previously included in Consumer Debtors. Refer to Note 39.7 on "Change in Accounting Policy" for details of the restatement.

Furthermore, *Long-term Receivables* have been restated to correctly recognise amounts held for Arrangement Debtors at amortised cost in terms of IAS 39. Refer to Note 39.7 on "Change in Accounting Policy" for details of the restatement.

DEBTORS CAPITALISED

Arrear amounts on services are capitalised on completion of a formal agreement or upon being handed over to attorneys for collection. These arrear amounts are then paid to the municipality in monthly instalments over a period not exceeding 48 months. No interest is charged on these amounts where the stipulations of the agreement are adhered to.

REMOVAL COST

The municipality pays the full removal cost of qualifying newly appointed staff of which the employees repay 50% by means of a loan over a maximum period of 2 years. The loans are repayable in the year 2011.

SALE OF STANDS

Stands are sold on a cash/bank guarantee basis. The outstanding loans are repayable in the year 2010.

STUDY COST LOANS

In terms of the MFMA no Study Cost Loans are granted anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Beneficiaries were entitled to Study Cost Loans at an interest rate of 5,00% per annum, repayable over a maximum period of 6 years. The loans are repayable in the year 2010.

VEHICLE LOANS

In terms of the MFMA no Vehicle Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2005. Senior staff were entitled to Vehicle Loans at an interest rate of 8,00% per annum, repayable over a maximum period of 6 years. The loans are repayable in the year 2010.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
12.1 Reconciliation of the Provision for Impairment		
Balance at beginning of year	176 562	201 985
Impairment Losses recognised	1 427 868	-
Impairment Losses reversed	-	(25 423)
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	1 604 430	176 562

13. CONSUMER DEPOSITS

Electricity and Water	13 294 405	11 608 521
Total Consumer Deposits	13 294 405	11 608 521
Guarantees held in lieu of Electricity and Water Deposits	1 646 596	1 654 936

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14. PROVISIONS

Performance Bonuses	-	1 212 620
Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 18 below)	1 142 604	1 110 285
Current Portion of Non-Current Provisions (See Note 19 below):	757 382	264 590
Long-term Service	757 382	264 590
Rehabilitation of Land-fill Sites	-	-
Total Provisions	1 899 986	2 587 495

Provisions have been restated to correctly disclose amounts held for the short-term portions of Post-retirement Benefits and Long-term Service. Refer to Note 39.6 on "Change in Accounting Policy" for details of the restatement.

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision has been reversed as no performance management system was in place resulting that no bonuses were accrued at the reporting date.

The movement in current provisions are reconciled as follows:

Performance Bonuses:

Balance at beginning of year	1 212 620	1 280 141
Contributions to provision	(1 212 620)	(67 521)
Expenditure incurred	-	-
Balance at end of year	-	1 212 620

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Current Portion of Non-Current Provisions:		
	Long-term Service R	Post-retirement R
30 June 2010		
Balance at beginning of year	264 590	1 110 285
Transfer from non-current	757 382	1 142 604
Contributions to provision	-	-
Expenditure incurred	(264 590)	(1 110 285)
Balance at end of year	<u>757 382</u>	<u>1 142 604</u>
30 June 2009		
Balance at beginning of year	278 583	1 032 713
Transfer from non-current	264 590	1 110 285
Contributions to provision	-	-
Expenditure incurred	(278 583)	(1 032 713)
Balance at end of year	<u>264 590</u>	<u>1 110 285</u>
	2010 R	2009 R

15. CREDITORS

Trade Creditors	17 469 366	15 220 545
Payments received in Advance	9 306 405	8 599 083
Retentions	18 263 600	17 109 191
Staff Leave Accrued	8 368 912	6 961 237
Sundry Deposits	253 081	206 843
Other Creditors	14 129	72 836
Total Creditors	<u>53 675 492</u>	<u>48 169 735</u>

Creditors have been restated to correctly classify amounts held for Unallocated Receipts, previously included in Other Debtors. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly classify amounts held for money received for services to be rendered only after 30 June. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly classify amounts held for Retentions that were forfeited in previous financial years. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Furthermore, *Creditors* have been restated to correctly classify amounts held for Own and Public Contributions, now included in Conditional Grants. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe.

The municipality did not default on any payment of its Creditors. No terms for payment have been re-negotiated by the municipality.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
16. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
16.1 Conditional Grants from Government	39 459 438	51 066 499
National Government Grants	31 756 128	46 462 804
Provincial Government Grants	1 448 999	1 448 999
Other Spheres of Government	6 254 310	3 154 696
16.2 Other Conditional Receipts	-	344 810
Public Contributions	-	344 810
Total Conditional Grants and Receipts	39 459 438	51 411 309

Unspent Conditional Grants and Receipts have been restated to correctly classify amounts held for Own and Public Contributions, previously included in Creditors. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

Furthermore, *Unspent Conditional Grants and Receipts* have been restated to correctly classify amounts held for Own and Public Contributions with no conditions attached to them. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 26 for the reconciliation of Grants from Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

17. OPERATING LEASE LIABILITIES / PAYABLES

Operating Leases are recognised on the straight-line basis as per the requirements of GRAP 13. In respect of Non-cancellable Operating Leases the following liabilities have been recognised:

Balance at beginning of year	5 809	16 443
Operating Lease expenses recorded	311 441	328 892
Operating Lease payments effected	(317 251)	(339 526)
Total Operating Lease Liabilities	-	5 809

Operating Lease Liabilities have been restated to adhere to the disclosure provisions of GRAP 13. Refer to Note 39.4 on "Change in Accounting Policy" for details of the restatement.

17.1 Leasing Arrangements

The Municipality as Lessee:

Operating Leases relate to Property, Plant and Equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
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17.2 Amounts payable under Operating Leases

At the Reporting Date the municipality had outstanding commitments under Non-cancellable Operating Leases for Property, Plant and Equipment, which fall due as follows:

Other Equipment:	578 353	895 604
Up to 1 year	260 779	317 251
2 to 5 years	317 574	578 353
More than 5 years	-	-
Total Operating Lease Arrangements	578 353	895 604

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	317 251	339 526
Total Operating Lease Expenses	317 251	339 526

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office Equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on Office Equipment:

- (i) The equipment shall remain the property of the lessor.
- (ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.
- (iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.
- (iv) The municipality is obliged to enter into a maintenance agreement with the lessor.

	2010 R	2009 R
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18. RETIREMENT BENEFIT LIABILITIES

18.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	29 845 680	26 568 821
Contributions to Provision	1 712 392	4 387 144
Balance at end of Year	31 558 072	30 955 965
Transfer to Current Provisions	(1 142 604)	(1 110 285)
Total Post-retirement Health Care Benefits Liability	30 415 468	29 845 680

Retirement Benefit Liabilities have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39.6 on "Change in Accounting Policy" for details of the restatement.

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The members of the Post-employment Health Care Benefit Plan are made up as follows:		
In-service Members (Employees)	158	-
In-service Non-members (Employees)	462	-
Continuation Members (Retirees, widowers and orphans)	23	-
Total Members	643	-
The liability in respect of past service has been estimated as follows:		
In-service Members	16 835 892	-
Continuation Members	14 722 180	-
Total Liability	31 558 072	-
The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:		
<ul style="list-style-type: none"> - Bonitas - Hosmed - Keyhealth - LA Health - Samwumed 		
The Current-service Cost for the year ending 30 June 2010 is estimated to be R1 491 251, whereas the cost for the ensuing year is estimated to be R1 539 645 (2009: R1 299 075 and R1 491 251 respectively).		
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.22%	9.11%
Health Care Cost Inflation Rate	7.27%	7.78%
Net Effective Discount Rate	1.82%	1.23%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	30 955 965	27 601 534
Current service costs	1 491 251	1 299 075
Interest cost	2 773 030	2 926 338
Benefits paid	(1 110 285)	(1 032 713)
Actuarial losses / (gains)	(2 551 889)	161 731
Present Value of Fund Obligation at the end of the Year	31 558 072	30 955 965
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	31 558 072	30 955 965
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	31 558 072	30 955 965
Unfunded Accrued Liability	31 558 072	30 955 965
Unrecognised Actuarial Gains / (Losses)	-	-
Total Benefit Liability	31 558 072	30 955 965
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 491 251	1 299 075
Interest cost	2 773 030	2 926 338
Actuarial losses / (gains)	(2 551 889)	161 731
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	1 712 392	4 387 144

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The history of experienced adjustments is as follows:		
	2010 R	2009 R
Present Value of Defined Benefit Obligation	31 558 072	30 955 965
	27 601 534	-
	-	-
Deficit	31 558 072	30 955 965
	27 601 534	-
	-	-

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	826 466	-
Effect on the defined benefit obligation	5 002 600	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(658 984)	-
Effect on the defined benefit obligation	(4 098 211)	-

The municipality expects to make a contribution of R4 398 million (2009: R4 264 million) to the Defined Benefit Plans during the next financial year.

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

Refer to Note 48 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

19. NON-CURRENT PROVISIONS

Provision for Long Service Awards	4 115 594	4 156 658
Provision for Rehabilitation of Land-fill Sites	1 839 539	1 679 754
Total Non-current Provisions	5 955 133	5 836 412

Non-current Provisions have been restated to adhere to the disclosure provisions of IAS 19. Refer to Note 39.6 on "Change in Accounting Policy" for details of the restatement.

The movement in Non-current Provisions are reconciled as follows:

	Long-service Awards R	Land-fill Sites R
30 June 2010		
Balance at beginning of year	4 156 658	1 679 754
Contributions to provision	716 318	159 785
	4 872 976	1 839 539
Transfer to current provisions	(757 382)	-
Balance at end of year	4 115 594	1 839 539

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
	Long-service Awards R	Land-fill Sites R
30 June 2009		
Balance at beginning of year	3 684 370	1 561 470
Contributions to provision	736 878	118 284
	<u>4 421 248</u>	<u>1 679 754</u>
Transfer to current provisions	(264 590)	-
Balance at end of year	<u>4 156 658</u>	<u>1 679 754</u>

19.1 Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 617 (2009: N/A) employees were eligible for Long-services Awards.

The Current-service Cost for the year ending 30 June 2010 is estimated to be R676 474, whereas the cost for the ensuing year is estimated to be R663 240 (2009: R562 742 and R676 474 respectively).

	2010 R	2009 R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	9.03%	9.16%
Cost Inflation Rate	6.34%	6.57%
Net Effective Discount Rate	2.52%	2.42%
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	63	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	4 421 248	3 962 953
Current service costs	676 474	562 742
Interest cost	381 683	410 448
Benefits paid	(264 590)	(278 583)
Actuarial losses / (gains)	(341 839)	(236 312)
Present Value of Fund Obligation at the end of the Year	<u>4 872 976</u>	<u>4 421 248</u>
Actuarial losses / (gains) unrecognised	-	-
Total Recognised Benefit Liability	<u>4 872 976</u>	<u>4 421 248</u>
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 872 976	4 421 248
Unfunded Accrued Liability	4 872 976	4 421 248
Actuarial gains / (losses) not recognised	-	-
Total Benefit Liability	<u>4 872 976</u>	<u>4 421 248</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	676 474	562 742
Interest cost	381 683	410 448
Actuarial losses / (gains)	(341 839)	(236 312)
Total Post-retirement Benefit included in Employee Related Costs (Note 29)	<u>716 318</u>	<u>736 878</u>

The history of experienced adjustments is as follows:

	2010 R	2009 R	2008 R	2007 R	2006 R
Present Value of Defined Benefit Obligation	4 872 976	4 421 248	3 962 953	-	-
Deficit	<u>4 872 976</u>	<u>4 421 248</u>	<u>3 962 953</u>	<u>-</u>	<u>-</u>

In accordance with the transitional provisions for the amendments to IAS 19 Employee Benefits in December 2004, the disclosures above are determined prospectively from the 2009 reporting period.

	2010 R	2009 R
The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	61 001	-
Effect on the defined benefit obligation	301 444	-
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	(54 867)	-
Effect on the defined benefit obligation	(274 228)	-

The municipality expects to make a contribution of R1 070 million (2009: R1 058 million) to the defined benefit plans during the next financial year.

The transitional Defined Benefit Liabilities for Long Service Awards have been recognised in the Annual Financial Statements of the municipality as at 30 June 2008 in terms of IAS 19, Employee Benefits, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2008.

19.2 Rehabilitation of Land-fill Sites

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R1,8 (2009: R 1,7) million to restore the site at the end of its useful life, estimated to be in 2015. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.

20. RESERVES

The Revaluation Reserve has been restated to adhere to the disclosure provisions for property under the "Cost Model". Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
21. ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Internal Funds and Reserves:		
Capital Replacement Reserve (CRR)	21 049 770	13 563 426
Capitalisation Reserve	97 298 065	104 892 466
Donations and Public Contributions Reserve	553 323	589 053
Government Grants Reserve	436 487 973	323 042 565
Accumulated Surplus / (Deficit) due to the results of Operations	307 203 745	246 928 627
Total Accumulated Surplus	862 592 877	689 016 137

Accumulated Surplus has been restated to correctly classify amounts held by the municipality as indicated below. Refer to Notes 39.1 and 39.2 on "Change in Accounting Policy" for details of the restatements.

- Recognition of Water Inventory - Note 39.3
- Recognition of Operating Lease Receivables - Note 39.4
- Recognition of Operating Lease Payables - Note 39.4
- Reclassification of Assets - Note 39.5
- Recognition of Defined Benefit Liabilities - Note 39.6
- Recognition of Amortised Cost of Long-term Receivables - Note 39.7
- Reclassification of Impairment for Consumer Debtors - Note 40.3
- Reclassification of Other Debtors for Services Rendered - Note 40.4
- Reclassification of Creditors for Services not Rendered - Note 40.4
- Reclassification of Retention Moneys - Note 40.4
- Reclassification of Unspent Conditional Grants - Note 40.4
- Reclassification of Provision for Landfill Sites - Note 40.5

The **Capital Replacement Reserve** is a reserve to finance future capital expenditure and is fully invested in ring-fenced Financial Instrument Investments.

The **Capitalisation Reserve** equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation Reserve ensures consumer equity and is not backed by cash.

The **Donations and Public Contributions Reserve** equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Donations and Public Contributions Reserve ensures consumer equity and is not backed by cash.

The **Government Grants Reserve** equals the carrying value of the items of property, plant and equipment financed from government grants. The Government Grants Reserve ensures consumer equity and is not backed by cash.

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

22. PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2010	July 2009		
	R000's	R000's		
Residential	5 919 853	3 020 216	12 346 998	11 014 409
Commercial	2 075 044	98 202	13 681 636	14 870 932
Industrial	1 524 167	3 353 489	2 274 736	1 487 578
State	965 717	527 026	696 953	381 513
Municipal	51 256	447 633	-	-
Consent Use	25 848	13 780	235 387	176 219
Undeveloped Properties	178 328	85 962	1 210 524	994 742
Total Property Rates	10 740 213	7 546 308	30 446 236	28 925 393

Property Rates have been restated to correctly classify expenditure incurred for Indigent Subsidies paid, now included in Grants and Subsidies Paid. Refer to Notes 40.1 and 40.2 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2008.

Interim valuations are processed on an continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 0,7950 c/R (2008/2009: 0,7500 c/R)

Business Properties: 1,5900 c/R (2008/2009: 1,5000 c/R)

Agricultural Properties: 0,1988 c/R (2008/2009: 0,1875 c/R)

A rebate of 40,00% (2008/2009: 40,00%) was allowed on residential properties whilst a discount of 30,00% (2008/2009: 30,00%) was granted on properties owned by the State.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

2010
R **2009**
R

23. SERVICE CHARGES

Sale of Electricity	118 850 185	91 954 076
Sale of Water	33 427 319	29 616 953
Refuse Removal	8 637 037	8 216 577
Sewerage and Sanitation Charges	9 716 496	9 432 983

Total Service Charges

170 631 037 **139 220 589**

Service Charges have been restated to correctly classify expenditure incurred for Indigent Subsidies paid, now included in Grants and Subsidies Paid. Refer to Notes 40.1 and 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *Service Charges* have been restated to correctly disclose the revenue due to the municipality for services rendered at 30 June. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

24. RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	600 378	400 600
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Total Rental of Facilities and Equipment

600 378 **400 600**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
25. INTEREST EARNED		
External Investments:		
Bank Account	390 302	753 215
Notice Deposits	11 453 338	12 445 372
Call Deposits	1 300 758	3 772 381
	13 144 398	16 970 968
Outstanding Debtors:		
Long-term Debtors	34 648	(126 902)
Outstanding Billing Debtors	16 044 445	12 183 962
	16 079 093	12 057 060
Total Interest Earned	29 223 491	29 028 028
<i>Interest Earned</i> have been restated to correctly classify revenue raised for Interest on Outstanding Billing Debtors, previously included in Impairment Losses on Consumer Debtors. Refer to Note 40.3 on "Correction of Error" for details of the restatement.		
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	13 144 398	16 970 968
Loans and Receivables	16 079 093	12 057 060
	29 223 491	29 028 028

26. GOVERNMENT GRANTS AND SUBSIDIES

National Equitable Share	144 343 387	101 277 250
Other Subsidies	4 086 770	3 203 436
Operational Grants	148 430 157	104 480 686
Conditional Grants	160 008 494	146 304 312
National: Equitable Share	18 645 609	14 762 359
National: FMG	929 603	489 124
National: MIG	66 721 249	68 004 523
National: MSIG	735 000	-
National: DWAF	65 367 468	56 493 430
National: Minerals and Energy	5 045 505	5 903 195
Provincial: Office of The Premier	-	303 994
Other Government: National Lottery Fund	2 564 061	347 688
Total Government Grants and Subsidies	308 438 651	250 784 997

Government Grants and Subsidies have been restated to correctly classify revenue to be included in the category of Government Grants and Subsidies. Refer to Note 40.1 on "Correction of Error" for details of the restatement.

Furthermore, the comparative figures for *Government Grants and Subsidies* have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions and ASB Directive 4.05.144. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Operational Grants:		
26.1 National: Equitable Share	<u>144 343 387</u>	<u>101 277 250</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R151, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month. No funds have been withheld.

Conditional Grants:

26.2 National: Equitable Share

Balance unspent at beginning of year	9 530 962	7 262 402
Current year receipts	11 926 958	17 030 919
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(18 645 609)	(14 762 359)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>2 812 312</u>	<u>9 530 962</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as the local authority. No funds have been withheld.

26.3 National: FMG Grant

Balance unspent at beginning of year	179 603	168 727
Current year receipts	750 000	500 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(929 603)	(489 124)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>179 603</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

26.4 National: MIG Funds

Balance unspent at beginning of year	19 514 044	25 822 660
Current year receipts	67 549 000	61 695 906
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(66 721 249)	(68 004 523)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>20 341 795</u>	<u>19 514 044</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26.5 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	735 000	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(735 000)	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

26.6 National: Department Water Affairs and Forestry (DWAF)

Balance unspent at beginning of year	15 683 451	16 577 881
Current year receipts	58 010 690	55 599 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(65 367 468)	(56 493 430)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>8 326 672</u>	<u>15 683 451</u>

This grant was used for the operation and maintenance of sewerage and water schemes transferred from DWAF to the municipality, the refurbishment of water infrastructure and the payment of salaries of staff transferred from DWAF. No funds have been withheld.

26.7 National: Department Minerals and Energy (DME)

Balance unspent at beginning of year	1 554 744	286 939
Current year receipts	3 766 110	7 171 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(5 045 505)	(5 903 195)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>275 349</u>	<u>1 554 744</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

26.8 Provincial: Office of the Premier

Balance unspent at beginning of year	1 448 999	1 752 993
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(303 994)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>1 448 999</u>	<u>1 448 999</u>

This grant was allocated to assist the municipality to set up a Call Centre. No funds have been withheld.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
26.9 Other Government: National Lottery Fund		
Balance unspent at beginning of year	512 803	102 958
Current year receipts	5 663 675	757 533
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(2 564 061)	(347 688)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>3 612 417</u>	<u>512 803</u>

The municipality receives grants from other spheres of government for urban greening in the municipal area. The grant was utilised for this purpose. No funds have been withheld.

26.10 Other Government: National Roads Agency

Balance unspent at beginning of year	2 641 893	2 641 893
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	-
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>2 641 893</u>	<u>2 641 893</u>

This grant was utilised for the maintenance of roads in the jurisdiction area of the municipality. No funds have been withheld.

26.11 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2010), government grant funding is expected to increase over the forthcoming three financial years.

27. PUBLIC CONTRIBUTIONS AND DONATIONS

Conditional Contributions:		
European Union	344 810	2 055 190
PPL Mine	-	1 535 700
Other Donations	159 050	44 393
Total Public Contributions and Donations	<u>503 860</u>	<u>3 635 283</u>

Public Contributions and Donations have been restated to correctly classify revenue to be included in the category of Public Contributions and Donations. Refer to Note 40.1 on "Correction of Error" for details of the restatement.

Furthermore, the comparative figures for *Public Contributions and Donations* have been restated to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions and ASB Directive 4.05.144. Refer to Note 40.4 on "Correction of Error" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Reconciliation of Conditional Public Contributions and Donations:		
27.1 Contributions from European Union		
Balance unspent at beginning of year	344 810	1 200 000
Current year receipts	-	1 200 000
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(344 810)	(2 055 190)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>344 810</u>

The municipality received funds from the European Union to improve the heritage site, Makapan's Valley. The donations were utilised for this purpose. No funds have been withheld.

27.2 Contributions from PPL Mine

Balance unspent at beginning of year	-	1 535 700
Current year receipts	-	-
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(1 535 700)
Conditions met - transferred to Revenue: Capital Expenses	-	-
Other Transfers	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	<u>-</u>	<u>-</u>

The municipality received funds from PPL Mine for purchasing a refuse truck. The donations were utilised for this purpose. No funds have been withheld.

28. OTHER REVENUE

Building Plan Fees	238 762	239 216
Cemetery Fees	221 730	220 929
Insurance Claims	1 657 016	1 875 134
Lease Advertising Signs	26 417	67 108
Maintenance of Private Sidings	72 900	35 344
Prints	25 697	24 633
Tender Documents	556 750	199 764
Other Income	871 106	777 430
Total Other Income	<u>3 670 378</u>	<u>3 439 560</u>

Other Revenue have been restated to correctly classify revenue to be included in the category of Other Revenue. Refer to Note 40.1 on "Correction of Error" for details of the restatement.

Furthermore, *Other Revenue* has been restated to correctly classify amounts received by the municipality as indicated below:

- Recognition of Operating Lease Receivables - Note 39.4
- Recognition of Services Rendered - Note 40.4
- Reclassification of Settlement Discount - Note 40.6

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 20 to 24, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29. EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	65 826 945	56 334 929
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	17 996 833	15 452 432
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	15 200 687	14 583 672
Housing Benefits and Allowances	880 727	964 435
Overtime Payments	12 169 287	9 653 069
Performance Bonuses	-	381 498
Defined Benefit Plan Expense:	2 428 710	5 124 022
Current Service Cost	2 167 725	1 861 817
Interest Cost	3 154 713	3 336 786
Net Actuarial (gains)/losses recognised	(2 893 728)	(74 581)
Total Employee Related Costs	114 503 189	102 494 058

Employee Related Costs have been restated to adhere to the provisions of IAS 19, *Employee Benefits*. Refer to Note 39.6 on "Change in Accounting Policy" for details of the restatement.

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of the Municipal Manager

Annual Remuneration	651 513	283 767
Performance Bonus	-	54 021
Car and Other Allowances	121 000	165 399
Company Contributions to UIF, Medical and Pension Funds	188 786	77 718
Total	961 299	580 905

The post was vacant from 1 December 2008 to 31 July 2009. An Acting Allowance was paid for the period.

Remuneration of the Chief Financial Officer

Annual Remuneration	111 128	364 422
Performance Bonus	-	59 267
Car and Other Allowances	20 000	128 993
Company Contributions to UIF, Medical and Pension Funds	24 705	93 600
Total	155 833	646 282

The post was vacant as from 01 January 2009 until 30 April 2010. An Acting Allowance was paid for the period.

Remuneration of the Manager: Community Services

Annual Remuneration	561 506	600 086
Performance Bonus	-	58 744
Car and Other Allowances	225 269	182 080
Company Contributions to UIF, Medical and Pension Funds	169 594	177 198
Total	956 369	1 018 108

Remuneration of the Manager: Corporate Services

Annual Remuneration	537 661	480 996
Performance Bonus	-	40 083
Car and Other Allowances	206 542	162 117
Company Contributions to UIF, Medical and Pension Funds	164 155	162 542
Total	908 358	845 738

Remuneration of the Manager: Developmental Services

Annual Remuneration	599 748	574 614
Performance Bonus	-	44 892
Car and Other Allowances	222 914	172 257
Company Contributions to UIF, Medical and Pension Funds	163 877	172 602
Total	986 539	964 365

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of the Manager: Technical Services		
Annual Remuneration	567 871	510 489
Performance Bonus	-	42 541
Car and Other Allowances	190 408	143 543
Company Contributions to UIF, Medical and Pension Funds	150 809	151 752
Total	909 088	848 325
Remuneration of the Manager: Traffic and Emergency Services		
Annual Remuneration	548 586	526 077
Performance Bonus	-	81 950
Car and Other Allowances	191 785	148 983
Company Contributions to UIF, Medical and Pension Funds	160 979	167 551
Total	901 350	924 561

The following compensation was payable to key management personnel in terms of IAS 19 as at 30 June:

Staff Leave Benefits:-

Municipal Manager	45 487	-
Chief Financial Officer	10 668	-
Manager: Community Services	64 169	62 768
Manager: Corporate Services	94 796	42 328
Manager: Developmental Services	81 734	56 176
Manager: Technical Services	56 787	46 923
Manager: Traffic and Emergency Services	42 965	29 659
Total	396 607	237 854

30. REMUNERATION OF COUNCILLORS

Mayor	362 057	336 219
Speaker	297 709	280 996
Executive Committee Members	1 224 146	1 132 172
Councillors	6 349 338	6 044 841
Company Contributions to UIF, Medical and Pension Funds	1 206 206	1 650 204
Other Allowances (Cellular Phones, Housing, Transport, etc)	3 564 407	3 357 049
Total Councillors' Remuneration	13 003 863	12 801 480

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and one member of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Mayor has use of a Council owned vehicle for official duties.

Security Services were rendered at the Mayor's house at the expense of the municipality.

The year-end figures for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 16, 17 and 102.

31. DEPRECIATION AND AMORTISATION

Depreciation: Property, Plant and Equipment	35 349 933	39 535 933
Amortisation: Intangible Assets	981 091	884 143
Total Depreciation and Amortisation	36 331 024	40 420 076

Depreciation and Amortisation have been restated to correctly disclose the expense in terms of GRAP 16, 17 and 102.. Refer to Note 39.5 on "Change in Accounting Policy" for details of the restatement.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
32. IMPAIRMENT LOSSES		
32.1 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	24 849 343	42 904 975
Long-term Receivables	1 427 868	-
Consumer Debtors	23 421 474	42 904 975
Other Debtors	-	-
Impairment Losses Reversed:	-	(10 635 020)
Long-term Receivables	-	(25 423)
Consumer Debtors	-	(10 609 596)
Other Debtors	-	-
	24 849 343	32 269 955
Total Impairment Losses	24 849 343	32 269 955

Impairment Losses have been restated to correctly classify revenue raised for Interest on Outstanding Billing Debtors, now included in Interest Earned. Refer to Note 40.3 on "Correction of Error" for details of the restatement.

Furthermore, *Impairment Losses* have been restated to correctly disclose the amortisation of Arrangement Debtor balances. Refer to Note 39.7 on "Change in Accounting Policy" for details of the restatement.

33. FINANCE COSTS

Other Interest Paid	-	194 337
Total Interest Paid on External Borrowings	-	194 337

Finance Costs have been restated to correctly classify expenditure incurred for Finance Costs, previously included in General Expenses. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

34. BULK PURCHASES

Electricity	66 666 959	48 010 619
Water	16 356 022	13 924 861
Total Bulk Purchases	83 022 981	61 935 480

Bulk Purchases have been restated to correctly classify expenditure incurred for Water Levy, now included in General Expenses. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *Bulk Purchases* have been restated to adhere to the recognition provisions for Water Inventory held by the municipality in terms of GRAP 12. Refer to Note 39.3 on "Change in Accounting Policy" for details of the restatement.

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from Lepelle Northern Water and "Uitloop Water Beleggings".

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
35. CONTRACTED SERVICES		
Accounting Standards	539 215	640 961
Cash-in-Transit Services	92 070	80 896
Consultants' Fees	4 229 441	3 795 212
Internal Audit Fees	418 889	500 668
Security Services	2 286 089	1 291 986
Township Establishment	15 615	1 218 871
Transportation Plan	-	407 000
Valuation Services	154 028	858 274
Water Supply to Villages	6 972 295	6 396 769
Other Contracted Services	514 818	997 787
Total Contracted Services	15 222 459	16 188 424

Contracted Services have been restated to correctly classify expenditure incurred for Contracted Services, previously included in General Expenses. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

36. GRANTS AND SUBSIDIES PAID

Community Projects	33 690	26 487
Donations to Sportfields	303 519	184 054
Free Basic Services	23 280 903	18 323 376
Mayoral Discretionary Expenditure	1 368 029	1 090 826
Pauper Burials	52 001	65 537
Project Expenditure	5 876 877	-
Women's day	57 697	-
Total Grants and Subsidies	30 972 716	19 690 279

Grants and Subsidies Paid have been restated to correctly classify expenditure incurred for Indigent Subsidies, previously included in income for Property Rates and Service Charges. Refer to Notes 40.1 and 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *Grants and Subsidies Paid* have been restated to correctly classify expenditure incurred for Grants and Subsidies Paid, previously included in General Expenses. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Community Projects are in respect of catering and transport cost of community development workers within the municipality's area of jurisdiction.

Donations to Sportfields are in respect accommodation and travelling expenses of participants for sporting events attended in Maputo and other.

Free Basic Services are in respect of providing basic service levels to indigent/residential households.

The **Mayor** makes grants available on own discretion.

Pauper Burials is paid to assist indigent community members in paying for burial services.

Project Expenditure is in respect of conditional grants utilised for the upliftment of housing and basic service needs of communities within the municipality's area of jurisdiction.

The **Women's Day** is paid annually in the municipality's aim to further local economic development of all women in the communities.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
37. GENERAL EXPENSES		
Included in General Expenses are the following:		
Advertising	2 027 603	1 898 059
Audit Fees	1 187 271	1 400 602
Bank Charges	543 798	375 640
Branding of the Municipality	39 800	102 247
Bursaries	135 766	168 866
Chemicals and Poison	109 477	140 936
Communication and Public Participation	627 219	541 979
Electricity	1 763 882	1 782 679
Entertainment	154 206	296 268
Expenditure incurred from Finance Management Grant	125 376	283 038
Fraud Hotline	36 302	120 905
GLPS Power Factor Correction	310 519	353 788
Hiring of Equipment	380 878	323 183
IDP Review	601 744	220 662
Insurance	3 454 680	2 735 506
Inventory Assets	-	267 090
Lease Cahrge	124 784	138 003
Legal Costs	3 925 576	3 728 307
Levies: SALGA	718 666	381 886
Loss Control	169 286	110 611
Materials and Stocks	133 591	116 515
Mayoral Special Programmes	306 414	197 223
Postage and Telegrams	318 054	272 478
Pound Fees	86 742	82 769
Refuse Removal	164 649	122 750
Sanitation and Sewerage	75 425	91 812
Signs	140 605	78 153
Subdivision Costs	-	87 339
Systems Improvements	-	735 000
Telephone Cost	1 016 096	1 067 691
Tourism Strategy	-	345 000
Training Costs	513 772	364 462
Transport Costs	9 023 863	7 550 125
Travelling and Subsistence	1 718 604	1 518 529
Uniforms and Protective Clothing	661 449	367 864
Ward Committee Management	307 097	391 748
Water	423 937	525 113
Water Levy	242 728	349 003
Connection Fees	1 075 212	1 046 235
Other General Expenses	3 269 157	978 908
Expenditure Recharged	(20 135 103)	(16 070 593)
Total General Expenses	15 779 125	15 588 380

General Expenses have been restated to correctly classify expenditure incurred for Water Levy, previously included in Bulk Purchases. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly classify expenditure previously included in the category of General Expenses. Refer to Note 40.2 on "Correction of Error" for details of the restatement.

Furthermore, *General Expenses* have been restated to correctly classify expenditure of the municipality as indicated below:

- Recognition of Operating Lease Payables - Note 39.4
- Reclassification of Settlement Discount - Note 40.6

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The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

37.1 Material Losses

	9 890 881	16 036 425
Burglaries	-	-
Fire Damages	2 500	-
Lightning Damages	110 000	-
Public Liability	50 000	-
Robberies	-	-
Theft	103 515	-
Third Party Claims	-	-
Vandalism	-	-
Vehicle Damages	33 000	-
Other Losses	7 500	-
Distribution Losses:		
Electricity Losses	6 043 731	4 964 112
Water Losses	3 540 635	11 072 313

The amounts disclosed above for **Electricity and Water Losses** are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

38. DISCONTINUED OPERATIONS

No operations have been discontinued.

39. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2009/2010 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented retrospectively as at 30 June 2010:

- GRAP 09 Revenue from Exchange Transactions
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 100 Non-current Assets Held-for-Sale and Discontinued Operations
- GRAP 102 Intangible Assets
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 36 Impairment of Assets
- IAS 39 Financial Instruments: Recognition and Measurement

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	2010 R	2009 R
39.1 Reclassification of Accumulated Surplus		
The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.		
The effect of the changes are as follows:		
		Accumulated Surplus
Balances published as at 30 June 2008		527 137 644
Change in Accounting Policy:-		
Reclassify Inventory - Note 39.3	46 575	
Reclassify Operating Lease Receivables - Note 39.4	86 163	
Reclassify Operating Lease Receivables - Note 39.4	(16 443)	
Reclassify Assets - Note 39.5	73 621 651	
Reclassify Provisions for Defined Benefits - Note 39.6	(31 045 936)	
Reclassify Long-term Receivables - Note 39.7	<u>(201 985)</u>	42 490 025
Correction of Error:-		
Reclassify Impairment for Consumer Debtors - Note 40.3	(1 451 340)	
Reclassify Other Debtors for Current Receipts - Note 40.4	4 945 035	
Reclassify Creditors for Future Receipts - Note 40.4	(91 308)	
Reclassify Retention Moneys - Note 40.4	1 171 891	
Reclassify Unspent Conditional Grants - Note 40.4	1 546 974	
Reclassify Provision for Landfill Sites - Note 40.5	<u>(1 561 470)</u>	4 559 781
Restated Balances as at 30 June 2008		574 187 450
Transactions incurred for the Year 2008/2009		122 777 021
Change in Accounting Policy:-		
Transactions for Water Inventory - Note 39.3	(8 580)	
Straightlining of Operating Leases - Note 39.4	15 120	
Depreciation on Assets - Note 39.5	(4 560 228)	
Transactions for Defined Benefits - Note 39.6	(3 258 227)	
Impairment of Long-term Receivables - Note 39.7	<u>25 423</u>	(7 786 493)
Correction of Error:-		
Reclassify Interest Raised on Arrear Debtors - Note 40.3	10 609 596	
Reclassify Impairment for Consumer Debtors - Note 40.3	(13 618 281)	
Reclassify Revenue for Services rendered - Note 40.4	2 911 850	
Reclassify Revenue for Services not rendered - Note 40.4	8 807	
Reclassify Revenue from Unconditional Grants - Note 40.4	44 470	
Reclassify Provision for Landfill Sites - Note 40.5	<u>(118 284)</u>	(161 841)
Restated Balances as at 30 June 2009		689 016 137

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39.2 Reclassification of Revenue and Expenditure:

The prior year figures of Revenue and Expenditure have been restated to correctly disclose the transactions incurred by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

	Revenue for the Year	Expenditure for the Year	Surplus for the Year
Total as per AFS previously published for 2008/2009	455 456 857	335 556 792	119 900 065
Adjustment for Water Inventory - Note 39.3	-	8 580	(8 580)
Adjustment for Operating Lease Receipts / Payments - Note 39.4	4 486	(10 634)	15 120
Adjustment for Assets - Note 39.5	-	4 560 228	(4 560 228)
Adjustment for Provisions for Defined Benefits - Note 39.6	-	3 258 227	(3 258 227)
Adjustment for Impairment of Long-term Debtors - Note 39.7	-	(25 423)	25 423
Adjustment for Interest on Outstanding Debtors - Note 40.3	10 609 596	-	10 609 596
Adjustment for Impairment of Consumer Debtors - Note 40.3	-	13 618 281	(13 618 281)
Adjustment for Revenue for Services rendered - Note 40.4	2 911 850	-	2 911 850
Adjustment for Revenue for Services not rendered - Note 40.4	8 807	-	8 807
Adjustment for Public Contributions - Note 40.4	44 470	-	44 470
Adjustment for Provision for Landfill Sites - Note 40.5	-	118 284	(118 284)
Adjustment for Settlement Discounts - Note 40.6	(76 221)	(76 221)	-
Restated Total as per AFS currently disclosed for 2008/2009	468 959 847	357 008 115	111 951 731

GRAP 12 - Inventory:

The Accounting Standard for *Inventory* has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 12. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

39.3 Reclassification of Inventory, Property, Plant and Equipment and Accumulated Surplus

The prior year figures of Inventory and Property, Plant and Equipment have been restated to correctly disclose Major Spare Parts held by the municipality in terms of GRAP 12.

Furthermore, the prior year figures of Inventory and Accumulated have been restated to correctly disclose Water Inventory held by the municipality in terms of GRAP 12.

The effect of the Change in Accounting Policy is as follows:

	Inventory Consumable Stores	Water Stock	Property, Plant and Equipment
Balances published as at 30 June 2008	7 118 593	31 685	576 247 288
Recognition of Major Spare Parts	(2 473 828)	-	2 473 828
Recognition of Water Inventory in distribution system	-	46 575	-
Restated Balances as at 30 June 2008	4 644 765	78 260	578 721 116
Transactions incurred for the Year 2008/2009:			
Transactions as per Ledger	712 417	4 369	-
Adjustment for Spare Parts carried at 30 June	(1 159 178)	-	1 159 178
Adjustment for Water Inventory carried at 30 June	-	(8 580)	-
Restated Balances as at 30 June 2009	4 198 005	74 048	579 880 293

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	2010 R	2009 R
GRAP 13 - Leases:		
The Accounting Standard for Leases has been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of GRAP 13. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.		

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

39.4 Reclassification of Operating Lease Receivables, Operating Lease Payables and Accumulated Surplus

The prior year figures of Operating Lease Receivables, Operating Lease Payables and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 13.

The effect of the Change in Accounting Policy is as follows:

	Operating Lease Receivables	Operating Lease Payables
Balances published as at 30 June 2008	-	-
Recognition of Operating Lease Receivables	86 163	-
Recognition of Operating Lease Payables	-	(16 443)
Restated Balances as at 30 June 2008	86 163	(16 443)
Transactions incurred for the Year 2008/2009:		
Actual Lease Receipts / Expenditure Reversed	(266 302)	339 526
Recorded Lease Receipts / Expenditure (Straightlining)	270 788	(328 892)
Restated Balances as at 30 June 2009	90 649	(5 809)

GRAP 17 - Property, Plant and Equipment:

Property, Plant and Equipment of the municipality are now recognised in terms of GRAP 17, Property, Plant and Equipment, and implemented as at 30 June 2008. As a result of the process of identifying, componentising and measuring assets, the values of the municipality's assets were adjusted to disclose the outcome of the physical verification.

39.5 Reclassification of PPE, Investment Property and Intangible Assets

The year-end figures for Accumulated Surplus, PPE and Intangible Assets have been restated to correctly disclose the assets held by the municipality in terms of GRAP 16, 17 and 102.

The municipality utilised the exemption on the measurement of Investment Property in terms of Directive 4.64, which expires on 30 June 2011, and did not measure Investment Property for depreciation. Measurement of Investment Property will be implemented retrospectively in the 2010/11 financial year.

	Revaluation Reserve	PPE (Ex Note 39.3)	Intangible Assets	Investment Property
Original Balances as at 30 June 2008	(138 926 699)	579 880 293	-	7 236 000
Reclassification of Historical Cost:-				
Asset Control adjusted to Asset Register	-	6 884 835	-	-
Assets not verified written off	-	(3 060 536)	-	-
Assets verified written on	136 615 306	5 110 603	-	(2 372 000)
Assets reclassified	-	(3 564 086)	3 564 086	-
Reclassification of Accumulated Depreciation / Amortisation:-				
Asset Control adjusted to Asset Register	(565 563)	(6 899 406)	-	-
Assets not verified written off	-	3 060 536	-	-
Assets verified written on	2 876 956	(68 029 080)	-	-
Assets reclassified	-	691 060	(691 060)	-
Restated Balances now published per AFS as at 30 June 2008	0	514 074 220	2 873 026	4 864 000

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			2010 R	2009 R
Transactions incurred for the Year 2008/2009:				
<i>Transactions previously recognised:-</i>				
Assets obtained	-	154 698 263	-	-
Assets disposed of	-	(587 344)	-	-
Depreciation expenditure	2 876 956	(35 859 848)	-	-
Depreciation recovered on Disposed Assets	-	321 451	-	-
<i>Additional Transactions from GRAP implementation:-</i>				
Depreciation expenditure	-	(3 676 085)	(884 143)	-
Depreciation offset to Revaluation Reserve reversed	(2 876 956)	2 876 956	-	-
Restated Balances as at 30 June 2009	0	631 847 613	1 988 883	4 864 000

IAS 19 - Employee Benefits, paragraph 155 (a):

The transitional defined benefit liabilities for Post-employment Health Care Benefits and Long Service Allowances have been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 in terms of IAS 19, 155 (a). The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

39.6 Reclassification of Provision for Post-retirement Benefits, Provision for Long-term Service and Accumulated Surplus

The prior year figures of Provision for Post-retirement Benefits, Provision for Long-term Service and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of IAS 19.

The effect of the Change in Accounting Policy is as follows:

	Provision Post-retirement Benefits	Provision Long-term Service	Current Provisions
Balances published as at 30 June 2008	-	466 696	51 855
Recognition of Provisions	27 601 534	3 444 402	-
Transfer Short-term Portion to Current Liabilities	(1 032 713)	(226 728)	1 259 441
Restated Balances as at 30 June 2008	26 568 821	3 684 370	1 311 296
Transactions incurred for the Year 2008/2009:			
Contributions Previously Received	-	338 092	833 082
Contributions Restated	4 387 144	398 786	(833 082)
Expenditure Previously Incurred	-	-	(278 583)
Expenditure Incurred	-	-	(1 032 713)
Transfer Short-term Portion to Current Liabilities	(1 110 285)	(264 590)	1 374 875
Restated Balances as at 30 June 2009	29 845 680	4 156 658	1 374 875

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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IAS 39 - Financial Instruments: Recognition and Measurement:

Arrangement Debtors, previously recognised in Consumer Debtors, have now been recognised in the Annual Financial Statements of the municipality as at 30 June 2010 at amortised cost in terms of IAS 39, *Financial Instruments: Recognition and Measurement*. The full net liabilities have been recognised retrospectively in the Annual Financial Statements.

The comparative amounts have been restated. The effect of the change in Accounting Policy is as follows:

**39.7 Reclassification of Consumer Debtors, Current Portion of Long-term Receivables,
Long-term Receivables and Accumulated Surplus:**

The prior year figures of Long-term Receivables, Consumer Debtors and Current Portion of Long-term Receivables have been restated to correctly disclose the monies for Arrangement Debtors held by the municipality in terms of GRAP 1, paragraph 68.

Furthermore, the prior year figures of Long-term Receivables and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of IAS 39.

The effect of the Change in Accounting Policy is as follows:

	Long-term Receivables	Consumer Debtors	Current Ptn of LT Debtors
Balances published as at 30 June 2008	32 158	138 293 149	9 629 686
Transfer of Arrangement Debtors	1 580 531	(1 580 531)	-
Transfer of Short-term Portion	(983 943)	-	983 943
Adjustment made to disclose Long-term Receivables at Amortised Cost	(201 985)	-	-
Restated Balances as at 30 June 2008	426 761	136 712 617	10 613 630
Transactions incurred for the Year 2008/2009			
Transactions as per Ledger	(30 118)	31 640 494	(7 802 518)
Adjustment for Short-term Portion	(920 956)	-	920 956
Adjustment for Arrangement Debtors	554 897	(554 897)	-
Adjustment for Impairment	25 423	-	-
Restated Balances as at 30 June 2009	56 008	167 798 214	3 732 068
	2010	2009	
	R	R	

The effect of the above-mentioned changes in Accounting Policies on the profit and loss is an decrease of R7 786 493 in the surplus for the financial year 2008/2009 and the nature of the changes in the Accounting Policies is as follows:

- GRAP 12	Inventories	-	8 580
- GRAP 13	Leases	-	(15 120)
- GRAP 16	Investment Property	-	-
- GRAP 17	Property, Plant and Equipment	-	3 676 085
- GRAP 100	Non-current Assets Held-for-Sale and Discontinued Operations	-	-
- GRAP 101	Agriculture	-	-
- GRAP 102	Intangible Assets	-	884 143
- IFRS 7	Financial Instruments: Disclosures	-	-
- IAS 19	Employee Benefits	-	3 258 227
- IAS 36	Impairment of Assets	-	-
- IAS 32 & 39	Financial Instruments: Recognition and Measurement	-	(25 423)
Total Decrease / (Increase) in Surplus as at 30 June		-	7 786 493

The above-mentioned changes in Accounting Policies had no effect on the Accumulated Surplus as at 30 June 2009, but the Accumulated Surplus as at 30 June 2008 has increased by R47 050 million.

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40. CORRECTION OF ERROR

Corrections were made during the previous financial years. Details of the corrections are described below:

40.1 Reclassification of Revenue:

The prior year figures of Property Rates and Service Charges have been restated to correctly classify the nature of Indigent Subsidies, previously deducted from Revenue of the municipality, in terms of IGRAP 1.09 and MFMA Circular No 51. Also see Note 40.2 below.

Furthermore, the prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	2008/2009 Revenue	2009/2010 Revenue	Restated Amount
Property Rates	27 525 665	28 925 393	(1 399 728)
Service Charges	123 453 102	136 367 230	(12 914 128)
Rental of Facilities and Equipment	400 019	400 019	-
Interest Earned - External Investments	16 970 968	16 970 968	-
Interest Earned - Outstanding Debtors	1 447 463	1 447 463	-
Fines	1 131 014	1 131 014	-
Licences and Permits	6 535 784	63 876	6 471 908
Income for Agency Services	-	6 582 779	(6 582 779)
Government Grants and Subsidies Received	250 336 001	250 784 997	(448 996)
Public Contributions and Donations	-	3 590 813	(3 590 813)
Other Income	13 269 461	3 518 380	9 751 080
Gains on Disposal of Property, Plant and Equipment	73 523	73 523	-
Profit on Sale of Land	-	5 600 401	(5 600 401)
	441 143 001	455 456 857	(14 313 857)

40.2 Reclassification of Expenditure:

The prior year figures of Grants and Subsidies Paid have been restated to correctly classify the nature of Indigent Subsidies, previously deducted from Revenue of the municipality, in terms of IGRAP 1.09 and MFMA Circular No 51. Also see Note 40.1 above.

Furthermore, the prior year figures of Expenditure Classes have been restated to correctly classify the nature of Expenditure of the municipality.

The effect of the Correction of Error is as follows:

	2008/2009 Expenditure	2009/2010 Expenditure	Restated Amount
Employee Related Costs	99 235 829	99 235 831	(2)
Remuneration of Councillors	12 801 480	12 801 480	0
Collection Costs	84 339	84 339	-
Depreciation and Amortisation	35 859 848	35 859 848	-
Impairment Losses	18 677 097	18 677 097	-
Repairs and Maintenance	51 902 806	55 299 243	(3 396 438)
Finance Costs	-	194 337	(194 337)
Bulk Purchases	62 275 903	61 926 900	349 003
Contracted Services	-	16 188 424	(16 188 424)
Grants and Subsidies Paid	-	19 690 279	(19 690 279)
General Expenses	40 405 633	15 599 014	24 806 619
	321 242 935	335 556 792	(14 313 858)

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40.3 Reclassification of Interest Earned, Impairment of Consumer Debtors, Provision for Impairment of Consumer Debtors and Accumulated Surplus:

The prior year figures of Interest Earned and Provision for Impairment of Consumer Debtors have been restated to correctly disclose the revenue raised for Interest on Outstanding Billing Debtors by the municipality in terms of GRAP 1, paragraph 68.

Furthermore, the prior year figures of Impairment of Consumer Debtors, Provision for Impairment of Consumer Debtors and Accumulated Surplus have been restated to correctly disclose the Impairment of Consumer Debtors in terms of the municipality's Accounting Policy.

The effect of the Correction of Error is as follows:

	Interest Earned	Impairment Debtors	Provision for Impairment
Balances published as at 30 June 2008			107 945 941
Adjustment for Provision in terms of Accounting Policy			1 451 340
Restated Balances as at 30 June 2008			109 397 282
Balances / Transactions as per AFS previously published for 2008/2009	1 447 463	(18 677 097)	29 088 792
Reclassification of interest raised on Arrear Debtor Accounts	10 609 596	-	(10 609 596)
Adjustment for Provision in terms of Accounting Policy	-	(13 618 281)	13 618 281
Adjustment for Impairment of Long-term Debtors (See Note 39.7 above)	-	25 423	-
Balances as at 30 June 2007 per AFS published for 2008/2009	12 057 060	(32 269 955)	141 494 759

40.4 Reclassification of Other Debtors, Creditors, Unspent Conditional Grants and Accumulated Surplus:

The prior year figures of Other Debtors and Creditors have been restated to correctly classify the monies held by the municipality for Payments Received in Advance in terms of GRAP 1.

The prior year figures of Other Debtors and Accumulated Surplus have been restated to correctly classify the monies held by the municipality for money receivable for services rendered as at 30 June in terms of GRAP 9.

The prior year figures of Creditors and Accumulated Surplus have been restated to correctly classify the monies held by the municipality for money received for services not rendered as at 30 June in terms of GRAP 9.

The prior year figures of Creditors and Accumulated Surplus have been restated to correctly classify the monies held by the municipality for Retention Moneys.

The prior year figures of Creditors and Unspent Conditional Grants have been restated to correctly classify the monies held by the municipality for Own and Public Contributions.

The prior year figures of Unspent Conditional Grants and Accumulated Surplus have been restated to correctly classify the monies held by the municipality with no conditions attached to them for Own and Public Contributions in terms of ASB Directive 4.05.144 and to adhere to the provisions of GAMAP 9 (paragraphs 42 - 46), *Revenue* on revenue from non-exchange transactions.

The effect of the Correction of Error is as follows:

	Other Debtors	Creditors	Unspent Grants
Balances published as at 30 June 2008	3 113 467	(46 607 699)	(57 352 153)
Transfer of Payment Received in Advance	1 829 787	(1 829 787)	-
Transfer of Receipts for Services rendered at 30 June	4 945 035	-	-
Transfer of Receipts for Services not rendered at 30 June	-	(91 308)	-
Transfer of Retention Moneys invalid at 30 June	-	1 171 891	-
Transfer of Own and Donated Contributions	-	1 546 974	(1 546 974)
Write-off of Own and Donated Contributions	-	-	1 546 974
Restated Balances as at 30 June 2008	9 888 289	(45 809 929)	(57 352 153)

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		2010 R	2009 R
Transactions incurred for the Year 2008/2009	(3 261 690)	(2 368 614)	5 896 374
Adjustment of Receipts for Services rendered at 30 June	2 911 850	-	-
Adjustment of Receipts for Services not rendered at 30 June	-	8 807	-
Adjustment of Grants Received	-	-	44 470
Restated Balances as at 30 June 2009	9 538 449	(48 169 735)	(51 411 309)

40.5 Reclassification of Provision for Rehabilitation of Landfill Sites and Accumulated Surplus

The prior year figures of Provision for Rehabilitation of Landfill Sites and Accumulated Surplus have been restated to correctly disclose the monies held by the municipality in terms of GRAP 19.

The effect of the Change in Accounting Policy is as follows:

	Provision Rehabilitation Landfill Sites
Balances published as at 30 June 2008	-
Recognition of Provision for the Rehabilitation of Landfill Sites	1 561 470
Restated Balances as at 30 June 2008	1 561 470
Transactions incurred for the Year 2008/2009	
Contributions Received	118 284
Restated Balances as at 30 June 2009	1 679 754

40.6 Reclassification of Other Income and Repairs and Maintenance:

The prior year figures of Other Income and Repairs and Maintenance have been restated to correctly classify the expense for Settlement Discounts Received in terms of SAICA Circular 9 of 2006.

The effect of the Correction of Error is as follows:

	Other Income	Repairs and Maintenance
Amount per AFS previously published for 2008/2009	3 518 380	(55 299 243)
Reclassification of expense for Settlement Discounts Received	(76 221)	76 221
Adjustment of Receipts for Services not rendered at 30 June - Note 40.4 (Building Plans)	(2 600)	-
Contributions to Rehabilitation of Landfill Sites - Note 40.5	-	(118 284)
Restated Amount currently disclosed for 2008/2009	3 439 560	(55 341 306)

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	2010 R	2009 R
41. CASH GENERATED BY OPERATIONS		
Surplus / (Deficit) for the Year	173 576 740	111 951 731
Adjustment for:		
Depreciation and Amortisation	36 331 024	40 420 076
Depreciation Offset from Revaluation Reserve	-	2 876 956
Gains on Disposal of Property, Plant and Equipment	-	(73 523)
Profit on Sale of Land	(3 851 489)	(5 600 401)
Other Movement on Property, Plant and Equipment	29 075 843	(4 036 134)
Contribution to Retirement Benefit Liabilities	1 712 392	4 387 144
Expenditure incurred from Retirement Benefit Liabilities	(1 110 285)	(1 032 713)
Contribution to Provisions - Current	(1 212 620)	(67 521)
Contribution to Provisions - Non-current	876 103	855 162
Expenditure incurred from Provisions - Current	(264 590)	(278 583)
Contribution to Impairment Provision	24 849 343	32 269 955
Bad Debts Written-off	(937 263)	(197 901)
Investment Income	(13 144 398)	(16 970 968)
Finance Costs	-	194 337
Operating surplus before working capital changes	245 900 799	164 697 617
Decrease/(Increase) in Inventories	(12 045)	453 246
Decrease/(Increase) in Consumer Debtors	(30 811 155)	(31 085 597)
Decrease/(Increase) in Other Debtors	(3 772 285)	349 839
Decrease/(Increase) in VAT Receivable	8 750 029	(7 097 174)
Decrease/(Increase) in Operating Lease Assets	10 669	(4 486)
Increase/(Decrease) in Consumer Deposits	1 685 883	(29 835)
Increase/(Decrease) in Creditors	5 505 756	2 359 807
Increase/(Decrease) in Conditional Grants and Receipts	(11 951 871)	(5 940 844)
Increase/(Decrease) in Operating Lease Liabilities	(5 809)	(10 634)
Cash generated by / (utilised in) Operations	215 299 970	123 691 940

42. NON-CASH INVESTING AND FINANCING TRANSACTIONS

The municipality did not enter into any Non-cash Investing and Financing Transactions during the 2009/2010 financial year.

43. FINANCING FACILITIES

The municipality did not have any Financing Facilities available at any time during the two financial years.

44. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	-	-
Unauthorised Expenditure current year	12 030 473	-
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	12 030 473	-

Incident	Disciplinary Steps / Criminal Proceedings
<i>Budgeted amounts exceeded:-</i>	<i>To be condoned by Council</i>
-- Impairment Losses - R3 376 566	
-- Repairs and Maintenance - R4 189 103	
-- Grants and Subsidies Paid - R4 464 805	

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
44.2 Fruitless and Wasteful Expenditure		
Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	283 221	-
Fruitless and Wasteful Expenditure current year	299 147	283 221
Condoned or written off by Council	(283 221)	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	(299 147)	-
Fruitless and Wasteful Expenditure awaiting condonement	<u>-</u>	<u>283 221</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Fraudulent payment made to imposter - R295 147</i>	<i>Criminal case opened at South African Police Services</i>
<i>Overpayment of contractor - R4 000</i>	<i>To be recovered from future projects</i>

44.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	-	-
Irregular Expenditure current year	29 010 199	-
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 51)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	<u>29 010 199</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Irregular awards to Contractors and Consultants</i>	<i>None. To be submitted to Council for condonement.</i>

45. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

45.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	718 666	381 886
Amount Paid - current year	(718 666)	(381 886)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

45.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	1 187 271	1 400 602
Amount Paid - current year	(1 187 271)	(1 400 602)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

45.3 VAT

VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

45.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	16 785 024	13 702 455
Amount Paid - current year	(16 785 024)	(13 702 455)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

45.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	25 412 264	23 201 397
Amount Paid - current year	(25 412 264)	(23 201 397)
Balance Unpaid (included in Creditors)	<u>-</u>	<u>-</u>

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R

2009
R

45.6 Councillor's arrear Consumer Accounts

During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2010	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Selomo ME	3 493	504	2 989
Total Councillor Arrear Consumer Accounts	3 493	504	2 989

30 June 2009	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Kganyago RL	9 101	854	8 247
Councillor Lebelo MR	884	465	419
Councillor Selomo ME	9 656	548	9 108
Councillor Tsebe PH	623	389	234
Total Councillor Arrear Consumer Accounts	20 264	2 256	18 008

During the year the following Councillors had arrear accounts outstanding for more than 90 days:

30 June 2010	Highest amount outstanding	Ageing
Councillor Selomo ME	2 989	> 90 Days
Councillor Teffo MB	1 204	> 90 Days

30 June 2009	Highest amount outstanding	Ageing
Councillor Kganyago RL	8 247	> 90 Days
Councillor Kgosana TS	1 376	> 90 Days
Councillor Lebelo MR	419	> 90 Days
Councillor Mogotlane MI	10 339	> 90 Days
Councillor Selomo ME	9 108	> 90 Days
Councillor Tsebe PH	234	> 90 Days

45.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

No known matters existed at reporting date.

45.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager and noted by Council.

The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Office of the Mayor	Year 2009/2010	Various occasions (100)	Accommodation, advertising, catering, events, transport, etc	1 234 610.11
100 Occasions during the year amounting to R1 234 610,11				
Office of the Municipal Manager	Year 2009/2010	Skills training	Sole Provider	4 959.00
Training for LED skills amounting to R4 959,00				
Community Services	Year 2009/2010	Various occasions (13)	Catering, cleaning material, clothing, stationery, etc	195 614.23
13 Occasions during the financial year for various reasons amounting to R195 614,23				

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010 R	2009 R
Corporate Support Services	Year 2009/2010	Various occasions (16)	Books, training, repairs, office equipment, stationery	209 707.05
16 Occasions during the financial year for various reasons amounting to R209 707,05				
Developmental Services	Year 2009/2010	Various occasions (17)	Accommodation, catering, transport, stationery, etc	499 581.82
17 Occasions during the financial year for various reasons amounting to R499 581,82				
Electrical Services	Year 2009/2010	Various occasions (23)	Repairs, transformer oil, equipment, clothing, radio's	446 383.47
23 Occasions during the financial year for various reasons amounting to R446 383,47				
Financial Services	Year 2009/2010	Various occasions (11)	Advertising, stationery, protective clothing, etc	251 467.98
11 Occasions during the financial year for various reasons amounting to R251 467,98				
Technical Services	Year 2009/2010	Various occasions (32)	Ashpalt, chemicals, clothing, materials, capital projects, etc	1 757 329.86
32 Occasions during the financial year for various reasons amounting to R1 757 329,86				
Traffic and Emergency Services	Year 2009/2010	Various occasions (48)	Stationery, protective clothing, repairs, disaster, E-Natis, etc	1 145 716.10
48 Occasions during the financial year for various reasons amounting to R1 145 716,10				

46. COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

113 749 743

68 936 297

111 551 796

68 936 297

748 948

-

-

-

1 448 999

-

-

-

-

-

- Approved but Not Yet Contracted for:-

Infrastructure

Community

Heritage

Other

Housing Development Fund

Investment Properties

-

-

-

-

-

-

-

-

-

-

-

-

-

-

Total Capital Commitments

113 749 743

68 936 297

This expenditure will be financed from:

External Loans

Capital Replacement Reserve

Government Grants

District Council Grants

Public Contributions

Own Resources

-

-

824 613

12 176 288

112 925 130

56 760 009

-

-

-

-

-

-

113 749 743

68 936 297

46.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Notes 8 and 17.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
47. FINANCIAL INSTRUMENTS			
47.1 Classification			
FINANCIAL ASSETS:			
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):			
<u>Financial Assets</u>	<u>Classification</u>		
Long-term Receivables			
Debtors Capitalised Loans	Loans and receivables	4 503 106	230 529
Removal Cost Loans	Loans and receivables	2 040	2 040
Consumer Debtors			
Assessment Rates	Loans and receivables	11 438 998	11 325 723
Electricity	Loans and receivables	9 780 384	5 888 147
Refuse	Loans and receivables	1 421 082	1 286 753
Sewerage	Loans and receivables	2 216 348	2 127 744
Water	Loans and receivables	2 662 733	1 787 986
Other Debtors	Loans and receivables	7 110 854	3 887 101
Other Debtors			
Sundry Deposits	Loans and receivables	463 060	353 582
Sundry Debtors	Loans and receivables	12 847 674	9 184 868
Bank, Cash and Cash Equivalents			
Call Deposits	Available for sale	11 618 097	23 213 703
Notice Deposits	Held to maturity	156 000 000	106 000 000
Bank Balances	Available for sale	185 253 738	137 350 338
Current Portion of Long-term Receivables			
Debtors Capitalised Loans	Loans and receivables	4 183 301	1 904 900
Removal Cost Loans	Loans and receivables	227	2 947
Sale of Stand Loans	Loans and receivables	939 221	1 741 948
Study Cost Loans	Loans and receivables	58 826	60 984
Vehicle Loans	Loans and receivables	-	21 289

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
SUMMARY OF FINANCIAL ASSETS			
Held to maturity:			
Bank,Cash and Cash Equivalents	Notice Deposits	156 000 000	106 000 000
		<u>156 000 000</u>	<u>106 000 000</u>
Loans and Receivables			
Long-term Receivables	Debtors Capitalised Loans	4 503 106	230 529
Long-term Receivables	Removal Cost Loans	2 040	2 040
Consumer Debtors	Assessment Rates	11 438 998	11 325 723
Consumer Debtors	Electricity	9 780 384	5 888 147
Consumer Debtors	Refuse	1 421 082	1 286 753
Consumer Debtors	Sewerage	2 216 348	2 127 744
Consumer Debtors	Water	2 662 733	1 787 986
Consumer Debtors	Other Debtors	7 110 854	3 887 101
Other Debtors	Sundry Deposits	463 060	353 582
Other Debtors	Sundry Debtors	12 847 674	9 184 868
Current Portion of Long-term Receivables	Debtors Capitalised Loans	4 183 301	1 904 900
Current Portion of Long-term Receivables	Removal Cost Loans	227	2 947
Current Portion of Long-term Receivables	Sale of Stand Loans	939 221	1 741 948
Current Portion of Long-term Receivables	Study Cost Loans	58 826	60 984
Current Portion of Long-term Receivables	Vehicle Loans	-	21 289
		<u>57 627 854</u>	<u>39 806 542</u>
Available for Sale:			
Bank,Cash and Cash Equivalents	Call Deposits	11 618 097	23 213 703
Bank,Cash and Cash Equivalents	Bank Balances	185 253 738	137 350 338
		<u>196 871 835</u>	<u>160 564 040</u>
Total Financial Assets		<u>410 499 689</u>	<u>306 370 582</u>

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial Liabilities</u>	<u>Classification</u>		
Consumer Deposits			
Electricity and Water	Financial liabilities at amortised cost	13 294 405	11 608 521
Creditors			
Trade Creditors	Financial liabilities at amortised cost	17 469 366	15 220 545
Payments received in Advance	Financial liabilities at amortised cost	9 306 405	8 599 083
Retentions	Financial liabilities at amortised cost	18 263 600	17 109 191
Staff Leave	Financial liabilities at amortised cost	8 368 912	6 961 237
Sundry Deposits	Financial liabilities at amortised cost	253 081	206 843
Other Creditors	Financial liabilities at amortised cost	14 129	72 836

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Consumer Deposits	Electricity and Water	13 294 405	11 608 521
Creditors	Trade Creditors	17 469 366	15 220 545
Creditors	Payments received in Advance	9 306 405	8 599 083
Creditors	Retentions	18 263 600	17 109 191
Creditors	Staff Leave	8 368 912	6 961 237
Creditors	Sundry Deposits	253 081	206 843
Creditors	Other Creditors	14 129	72 836
		<u>66 969 896</u>	<u>59 778 257</u>
Total Financial Liabilities		<u>66 969 896</u>	<u>59 778 257</u>

47.2 Fair Value

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices.

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2009.

The capital structure of the municipality consists of debt, which includes Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 21 and the Statement of Changes in Net Assets.

Gearing Ratio

	2010 R	2009 R
The gearing ratio at the year-end was as follows:		
Debt	-	-
Bank, Cash and Cash Equivalents	(185 253 738)	(137 350 338)
Net Debt	<u>(185 253 738)</u>	<u>(137 350 338)</u>
Total Capital	<u>677 339 139</u>	<u>551 665 799</u>
Net debt to total capital ratio	<u>-27.35%</u>	<u>-24.90%</u>

Debt is defined as Long- and Short-term Liabilities.

Total Capital includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

47.4 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

47.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

47.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 47.9 below). No formal policy exists to hedge volatilities in the interest rate market.

47.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

47.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

Interest Rate Sensitivity Analysis

The sensitivity analysis below have been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out in Note 47.7 below:

Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

- Surplus for the year ended 30 June 2010 would have decreased / increased by R302 811 (2009: decreased / increased by R177 260). This is mainly attributable to the municipality's exposure to interest rates on its variable rate investments.

The municipality's sensitivity to interest rates has increased during the current period mainly due to the increase in variable rate debt instruments.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

47. FINANCIAL INSTRUMENTS (Continued)

47.7 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) the following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		167 618 097	167 618 097	-	-	-	-
Bank Balances and Cash	7		17 635 641	17 635 641	-	-	-	-
Total Fixed Rate Instruments			185 253 738	185 253 738	-	-	-	-

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
VARIABLE RATE INSTRUMENTS								
Short-term Investment Deposits	7		129 213 703	129 213 703	-	-	-	-
Bank Balances and Cash	7		8 136 635	8 136 635	-	-	-	-
Total Fixed Rate Instruments			137 350 338	137 350 338	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

47.8 Other Price Risks

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

47.9 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 43 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk (cash).

Liquidity and Interest Risk Tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts.

The following tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Note ref in AFS	Average effective Interest Rate	Total	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	#	%	R	R	R	R		R
30 June 2010								
Non-interest Bearing		0.00%	66 969 896	66 969 896	-	-	-	-
			66 969 896	66 969 896	-	-	-	-
30 June 2009								
Non-interest Bearing		0.00%	59 778 257	59 778 257	-	-	-	-
			59 778 257	59 778 257	-	-	-	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

47. FINANCIAL INSTRUMENTS (Continued)

47.10 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties, except for Northern Province Academy of Sport and Department of Water and Forestry Affairs for which there is uncertainty about the collectivity. They have been included in the Provision for Impairment of Consumer Debtors.

Counterparty and Location	30 June 2010		30 June 2009	
	Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
	R	R	R	R
Department of Education, Arts and Culture	-	10 801 843	-	11 032 589
Department of Water Affairs and Forestry	-	1 162 035	-	1 096 250
Northern Province Academy of Sport	-	921 302	-	830 721
Lepelle Northern Water	-	854 312	-	-
Resilient Property (Pty) Ltd	-	782 317	-	-
Nedan Oil Mills (Pty) Ltd	-	-	-	943 383
Department of Safety and Security	-	-	-	795 631

2010
R **2009**
R

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	9 686 721	3 964 638
Consumer Debtors	34 630 399	26 303 455
Other Debtors	13 310 734	9 538 449
Bank, Cash and Cash Equivalents	185 253 738	137 350 338

Maximum Credit and Interest Risk Exposure

242 881 592 **177 156 879**

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Credit quality of Financial Assets:		
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:		
Long-term Receivables		
Group 3	8 082 291	3 788 076
Total Long-term Receivables	8 082 291	3 788 076
Consumer Debtors		
Counterparties without external credit rating:-		
Group 1	14 516 560	9 644 909
Group 2	15 456 129	14 133 622
Group 3	168 636 680	144 019 683
	198 609 369	167 798 214
Total Consumer Debtors	198 609 369	167 798 214
Other Debtors		
Group 1	13 310 734	9 538 449
Total Other Debtors	13 310 734	9 538 449
Bank and Cash Balances		
ABSA Bank Ltd	57 000 000	43 000 000
First National Bank	20 000 000	18 000 000
Nedbank	45 000 000	15 000 000
Standard Bank	63 232 333	61 329 833
Cash Equivalents	21 405	20 505
Total Bank and Cash Balances	185 253 738	137 350 338

Credit quality Groupings:

Group 1 - High certainty of timely payment. Liquidity factors are strong and the risk of non-payment is small.

Group 2 - Reasonable certainty of timely payment. Liquidity factors are sound, although ongoing funding needs may enlarge financing requirement. The risk of non-payment is small.

Group 3 - Satisfactory liquidity factors and other factors which qualify the entity as investment grade. However, the risk factors of non-payment are larger.

None of the financial assets that are fully performing have been renegotiated in the last year.

48. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

Mogalakwena Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R14,2 million (2009: R12,4 million) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Municipal Employees Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2008.

The net assets available for benefits were R5 715 557 193.

National Fund for Municipal Workers - Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

Transvaal Municipal Pension Fund:

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Municipal Councillors Pension Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a funding ratio of 106.5%. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

The next statutory valuation was due at 30 June 2009, but an extension has been granted until 31 December 2010.

Municipal Employees Gratuity Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The total market value of the fund is R6 557 416 000.

National Fund for Municipal Workers - Provident Fund:

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The fund does not have any reserves or surpluses which can be allocated to members' fund records.

None of the above mentioned plans are State Plans.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R
2009
R

49. RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

49.1 Interest of Related Parties

Councillors and/or management of the municipality have relationships with businesses as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
Beyers-Smit CF	Councillor	25% Membership in Ntsepe Financial Services CC
Manganye J	Councillor	2% Interest in Early Child Development Practitioners
Morkel-Brink GE	Councillor	Trustee of Babsita Family Trust
Van Heerden JD	Councillor	Part time worker at JD van Heerden Valuers, owned by a child
Mphago KJ	Manager	100% Ownership in Taxshop Polokwane South Franchise; 40% Membership in Kodumelang Construction
Mashilwane LF	Official	100% Ownership in Sengape Development Projects
Matsetela E	Official	Spouse the owner of Matsoma Trading Enterprises

49.2 Services rendered to Related Parties

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Rates Charges R	Service Charges R	Sundry Charges R	Outstanding Balances R
For the Year ended 30 June 2010				
Councillors	35 993	170 487	-	20 736
Municipal Manager and Section 57 Personnel	11 559	21 910	-	5 163
Total Services	47 552	192 397	-	25 899
For the Year ended 30 June 2009				
Councillors	35 445	116 853	-	26 236
Municipal Manager and Section 57 Personnel	9 400	13 171	-	3 059
Total Services	44 845	130 024	-	29 296

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or recognised in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel not on the salary deduction list. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

49.3 Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 12 to the Annual Financial Statements.

49.4 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 29 and 30 respectively, to the Annual Financial Statements.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010
R **2009**
R

49.5 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Company Capacity	Municipal Capacity	Purchases for the Year	Purchases for the Year
Dynasty Printers (Pty) Ltd	Cachalia A	Director (Spouse)	Councillor	144 985	49 854
Tau Industries	Grove MSM	Owner (Spouse)	Official	4 244 635	2 938 768
Total Purchases				4 389 620	2 988 622

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

50. CONTINGENT LIABILITIES

50.1 Court Proceedings:

33 684 081 **11 462 469**

(i) Rental of Surveillance Cameras: - 930 922
The municipality is being sued by Merchantile Bank for the rental of surveillance cameras. The municipality is defending the claim based on legal advice. The cameras have been removed. The matter was postponed indefinitely. The claimed amount does not include legal costs. Subsequently the parties withdrew their respective actions against each other and a court order to such effect was issued on 8 April 2010.

(ii) Dispute on Water Account: 96 000 96 000
The municipality is being sued by a consumer, Academy of Sports Excellence, for a dispute on their water account. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The plaintiff's Discovery Affidavit and the trial date from Registrar is awaited. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from its Provision for Bad Debts. The municipality is proceeding with a debtor's claim of R860 000 against the plaintiff. The outcome of the case is still uncertain.

(iii) Termination of Mandate for Debt Collection: 8 465 022 8 465 022
The municipality is being sued by Katlego Benefit Administrators for termination of mandate for debt collection. The municipality is defending the claim based on legal advice. The claimed amount does not include legal costs. Should the municipality be unsuccessful in defending the claim, there is a possibility that the claim will be settled from the Accumulated Surplus or by the municipality's insurers. The matter was postponed for plaintiff to submit proof of registration as a debt collector. The outcome of the case is still uncertain.

(iv) Damages to Underground Cables: 58 786 58 786
The municipality is being sued by Telkom for damages to underground cables. A letter of demand was received on 8 May 2008 and further information has been requested from Telkom. No further developments have taken place. The outcome of the case is still uncertain.

(v) Claim for Defamation: 50 000 50 000
The municipality is being sued by Kersten Max Will for damages due to defamation. Mr Will has passed away since. The claim has been forwarded to the municipality's Insurers. The outcome of the case is still uncertain.

(vi) Repossession of Land: 817 513 817 513
The municipality has cancelled a deed of sale due to non-compliance by the purchaser, Gov-AI Properties CC, and repossessed the portion of land. Gov-AI Properties CC are now suing the municipality in the High Court in order to get possession of the land again. The case was removed from the roll on 5 May 2008. Subsequently a settlement proposal was received from the plaintiff. The municipality made a counter settlement proposal. The outcome of the case is still uncertain.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
(vii) Claim for Injuries Sustained: The municipality is being sued by Ms R du Toit for alleged injuries sustained when she fell due to a damaged pavement. Legal costs are excluded from this claim. The matter was referred to the municipality's Insurers. The outcome of the process is unknown at this stage.	100 000	100 000
(viii) Impounded Vehicle: The municipality is being sued by SL Maphoto as his car was impounded by the municipality. An offer of R10 000 was communicated to attorneys which was accepted by the plaintiff. A payment of R13 524 was made in full and final settlement.	-	90 000
(ix) Building Services Rendered: The municipality is being sued by SA Call Centre Solutions for alleged services rendered for the design, build, implementation and support of a 20-seater Call Centre. The matter has been postponed and the outcome of the case is still uncertain.	216 558	216 558
(x) Damages to Vehicle: The municipality is being sued by National Highway Markings after a vehicle collision. A letter of demand was received 2 January 2008. The claim was forwarded to the municipality's Insurers. The outcome of the matter is still unknown.	9 104	9 104
(xi) Devaluation of Property: A letter of demand was received on 8 May 2008 from Magnolia Complex Residents. The residents allege that their property devaluated after incorrectly approving a rezoning without conducting a hearing in respect of objections. The matter was referred to the municipality's Insurers who rejected the claim. The Insurers now indicated that the repudiation was reconsidered and the claim is being reconsidered. The outcome of the matter is still uncertain.	500 000	500 000
(xii) Stolen Equipment: Tsa Khomotso claimed against the municipality for alleged stolen electrical equipment/pipes. The matter has been referred to the municipality's Insurers. The outcome of the matter is still uncertain.	100 000	100 000
(xiii) Damaged Computer Equipment: The municipality is being sued by Mr DJN Coetzer for damages to computer equipment. The claim has been submitted to the municipality's Insurers, who rejected the claim. The outcome of the matter is still uncertain.	16 099	16 099
(xiv) Damaged Electrical Appliances: The municipality is being sued by Ms IJ Koekemoer for damages on electrical appliances due to loose neutral electrical mains. The claim has been referred to the municipality's Insurers who rejected the same and indicated that any action will be defended. The outcome of the matter is still uncertain.	7 245	7 245
(xv) Damaged Electrical Supply: The municipality is being sued by JT van Rooyen due to the wrong replacement of a transformer which damaged the third party's distribution board. The claim was honoured by the municipality's Insurers and paid to the claimant.	-	5 221
(xiii) Damages and Injuries due to Collision: A civil claim for damages was received in August 2009. Mrs PL Payne claims for damages to her vehicle and personal injuries sustained resulting from a motor vehicle collision on the Maribashoek/Planknek Road allegedly caused by potholes in the road. The matter has been submitted to the municipality's Insurers. The outcome of the matter is still uncertain.	1 000 000	-
(xiv) Damages and Injuries Sustained: A letter of demand was received in May 2009 from N Kelly Inc on behalf of JF Herbst. The plaintiff collided with a telecommunications mast on the R101 allegedly caused by failure on the municipality's side to ensure that vehicular traffic was sufficiently made aware of the presence of the conversions and/or nature and extent of disguised hazards on the R101. The claim is for hospitalisation, medical treatment, surgery, disability, pain suffered and loss of amenities of life and excludes legal costs. The R101 falls outside the municipality's jurisdiction. However, the matter was referred to the municipality's Insurers. The outcome of the matter is still uncertain.	14 500 000	-

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
(xv) Non-payment for Work Done: The municipality is being summoned by Hlohlweni Business Enterprises CC for non-payment of the agreed fee of 15% for the procurement of funds from the National Lottery and excludes legal costs. The matter was referred to the municipality's attorneys. The outcome of the matter is still unknown.	4 247 755	-
(xvi) Claim for Storm Water Damages: A claim was received from MA Makhafola for alleged damages to the claimant's house when it was flooded due to poor storm water reticulation systems. The matter has been submitted to the municipality's Attorneys. The outcome of the matter is still uncertain.	3 500 000	-
(xvii) Labour Cases: There are four pending/unresolved labour cases submitted to SALGBC and/or CCMA for arbitration and one disciplinary case is still pending. The outcome and cost of these cases to the municipality is uncertain at the reporting date.	-	-
(xviii) Upgrading of Electricity Demand: The municipality applied to Eskom to increase its electricity demand to 40 MVA to be able to meet the increasing demand for electricity supply from consumers. Eskom requires a deposit for guarantee to the amount of R22 640 500. The municipality will arrange with its banker to issue a bank guarantee to the effect.	-	-

51. CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

52. COMPARISON WITH THE BUDGET

Budgeted amounts for expenditure have been exceeded as indicated below:

Category of Expenditure	30 June 2010		30 June 2009	
	Budgeted Amount R	Actual Amount R	Budgeted Amount R	Actual Amount R
Depreciation and Amortisation	-	-	38 004 700	40 420 076
Impairment Losses	21 472 777	24 849 343	19 676 046	32 269 955
Repairs and Maintenance	44 511 111	48 700 214	53 918 269	55 341 306
Finance Costs	-	-	-	194 337
Grants and Subsidies Paid	26 507 911	30 972 716	-	-

The excess expenditure has not been authorised and is disclosed as such in Note 44.1.

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure for the current year, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

53. IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

MOGALAKWENA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2010	2009
R	R

54. PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the financial year 2009/2010.

55. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2010.

56. COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 39) and Prior Period Errors (Note 40).

57. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these Annual Financial Statements the municipality has not applied the following GRAP standards that have been issued, but are not yet effective:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments - issued October 2009

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

APPENDIX A
MOGALAKWENA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2009	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2010
	R				R	R	R	R

THE MUNICIPALITY HAD NO EXTERNAL LOANS FOR THE TWO FINANCIAL YEARS

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying	Budget
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value	Additions 2010
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Carports	534 323	-	-	-	-	534 323	299 865	17 863	-	-	317 728	216 596	-
Hostels: Public and Tourist	85 671	-	-	-	-	85 671	72 738	2 852	-	-	75 590	10 081	-
Houses	464 882	-	-	-	-	464 882	393 705	15 017	-	-	408 721	56 160	-
Land: Developed	40 920 934	-	-	-	-	40 920 934	-	-	-	-	-	40 920 934	-
Land: Undeveloped	31 427 394	-	-	-	-	31 427 394	-	-	-	-	-	31 427 394	-
Office Buildings	16 568 381	-	-	-	-	16 568 381	3 345 822	594 061	-	-	3 939 884	12 628 497	-
Warehouses	2 100 401	24 401	-	-	-	2 124 802	1 299 283	71 855	-	-	1 371 138	753 665	45 000
Workshops and Depots	514 033	-	-	-	-	514 033	150 433	17 134	-	-	167 567	346 465	-
Air Conditioning Systems	283 153	-	-	-	-	283 153	18 443	12 455	-	-	30 898	252 255	-
Elevator Systems	566 371	-	-	-	-	566 371	28 316	28 316	-	-	56 632	509 739	-
	93 465 542	24 401	-	-	-	93 489 943	5 608 605	759 553	-	-	6 368 158	87 121 785	45 000
Infrastructure													
<i>Electricity:</i>													
High Mast Lights	3 374 887	1 130 919	84 823	-	-	4 590 629	975 541	244 250	-	-	1 219 791	3 370 838	1 026 000
Mains	17 045 121	5 138 775	-	-	-	22 183 896	5 726 696	475 721	-	-	6 202 417	15 981 480	2 242 800
Meters	170 302	7 200	-	-	-	177 502	74 475	6 812	-	-	81 288	96 215	7 200
Substations	34 904 811	16 921 405	-	-	-	51 826 216	10 996 982	1 565 175	-	-	12 562 157	39 264 059	7 417 774
Supply and Reticulation	20 501 025	21 408	-	-	-	20 522 434	1 230 062	820 952	-	-	2 051 014	18 471 420	184 000
Transformers	12 459 357	12 194 581	-	-	-	24 653 938	3 726 508	438 588	-	-	4 165 096	20 488 842	12 000 000
Major Spare Parts in Inventory	3 633 006	-	-	(1 348 064)	-	2 284 941	-	-	-	-	-	2 284 941	-
<i>Roads and Transport:</i>													
Bus Terminals	351 000	-	-	-	-	351 000	141 863	17 550	-	-	159 413	191 588	50 000
Road Furniture (Lights, Signs, etc)	161 547	5 570 664	476 781	-	-	6 208 991	97 207	63 924	-	-	161 131	6 047 860	5 471 918
Roads: Asphalt	164 811 655	13 611 877	-	-	-	178 423 532	67 625 012	5 582 950	-	-	73 207 962	105 215 570	15 034 679
Roads: Gravel	70 897 870	246 633	-	-	-	71 144 503	38 095 501	7 117 191	-	-	45 212 692	25 931 811	291 606
Stormwater	40 806 169	8 989 678	23 111 885	-	-	72 907 733	10 611 470	942 760	-	-	11 554 230	61 353 503	35 495 951
Railway Sidings	503 000	-	-	-	-	503 000	360 700	23 717	-	-	384 417	118 583	-
Taxi Ranks	228 694	-	-	-	-	228 694	146 010	10 165	-	-	156 175	72 518	-
Telkom Sleeves	3 970 739	-	-	-	-	3 970 739	137 640	198 537	-	-	336 177	3 634 562	-
<i>Sanitation:</i>													
Landfill Sites	3 250	1 138 151	-	-	-	1 141 401	3 108	596	-	-	3 703	1 137 697	1 115 000
<i>Sewerage:</i>													
Bulk Pipelines	25 010 205	4 790 089	1 004 145	-	-	30 804 439	8 003 266	572 561	-	-	8 575 826	22 228 613	6 163 869
Pumping Stations	374 958	2 416 247	-	-	-	2 791 205	144 356	90 889	-	-	235 245	2 555 960	1 468 261
Purification Works	2 240 204	3 664 638	-	-	-	5 904 841	715 526	128 787	-	-	844 313	5 060 529	-
Sewers / Reticulation	23 717 397	2 038 886	-	-	-	25 756 283	395 290	417 490	-	-	812 780	24 943 503	10 901 440
<i>Water:</i>													
Boreholes	-	4 066 014	-	-	-	4 066 014	-	31 726	-	-	31 726	4 034 288	1 792 954
Meters	13 839	-	-	-	-	13 839	3 895	923	-	-	4 817	9 022	-
Pumping Stations	7 552 392	8 777 349	-	-	-	16 329 740	3 240 632	267 408	-	-	3 508 040	12 821 700	982 649
Reservoirs and Tanks	46 328 077	8 554 243	-	-	-	54 882 319	15 113 071	992 974	-	-	16 106 045	38 776 274	2 600 000
Standpipes	-	529 570	-	-	-	529 570	-	6 011	-	-	6 011	523 560	200 000
Supply and Reticulation	87 430 173	6 748 214	57 405 425	-	-	151 583 812	18 489 686	1 787 045	-	-	20 276 731	131 307 081	52 803 200
Telemetry Systems	232 347	-	-	-	-	232 347	126 356	15 490	-	-	141 846	90 501	-
	566 722 023	106 556 542	82 083 059	(1 348 064)	-	754 013 560	186 180 851	21 820 189	-	-	208 001 041	546 012 519	157 249 301

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Community Assets													
<i>Recreational Facilities:</i>													
Museums and Art Galleries	1 748 120	-	-	-	-	1 748 120	536 768	58 271	-	-	595 039	1 153 081	-
Sport and Recreational Facilities	13 442 676	-	-	-	-	13 442 676	9 631 970	624 015	-	-	10 255 985	3 186 692	-
Stadiums	2 627 343	586 836	-	-	-	3 214 179	400 082	115 833	-	-	515 915	2 698 264	258 812
<i>Other Facilities:</i>													
Cemeteries	215 181	-	2 251 052	-	-	2 466 233	52 333	7 173	-	-	59 505	2 406 727	2 174 859
Community Centres	8 256 453	2 680 458	-	-	-	10 936 911	2 718 968	334 781	-	-	3 053 749	7 883 162	907 278
Fire Stations	7 300 000	-	-	-	-	7 300 000	1 966 944	243 333	-	-	2 210 278	5 089 722	-
Libraries	64 500 000	-	-	-	-	64 500 000	17 379 167	2 150 000	-	-	19 529 167	44 970 833	-
Markets	3 132 549	-	-	-	-	3 132 549	204 713	104 409	-	-	309 121	2 823 427	-
Nurseries	145 529	-	-	-	-	145 529	36 264	4 888	-	-	41 153	104 376	-
Old Age Homes	4 050 848	-	-	-	-	4 050 848	2 101 637	134 728	-	-	2 236 366	1 814 482	-
Public Conveniences/Bathrooms	274 470	-	-	-	-	274 470	55 535	9 330	-	-	64 865	209 605	-
Vehicle Testing Centres	44 000	-	-	-	-	44 000	38 133	1 467	-	-	39 600	4 400	-
Perimeter Protection	526 743	1 204 288	-	-	-	1 731 031	304 396	92 518	-	-	396 914	1 334 117	1 349 000
Security Systems	171 442	310 649	-	-	-	482 091	67 369	87 938	-	-	155 307	326 784	-
	106 435 352	4 782 231	2 251 052	-	-	113 468 634	35 494 280	3 968 682	-	-	39 462 962	74 005 672	4 689 949
Heritage Assets													
Culturally Significant Buildings	51	-	-	-	-	51	-	-	-	-	-	51	-
Historical Sites	5 736 139	-	-	-	-	5 736 139	-	-	-	-	-	5 736 139	-
National Monuments	152	-	-	-	-	152	-	-	-	-	-	152	-
Municipal Jewelry	16 202	-	-	-	-	16 202	-	-	-	-	-	16 202	-
	5 752 544	-	-	-	-	5 752 544	-	-	-	-	-	5 752 544	-
Other Assets													
<i>Bins and Containers:</i>													
Collection Containers / Bins	376 580	203 432	-	-	-	580 012	46 000	78 283	-	-	124 283	455 729	243 000
<i>Emergency Equipment:</i>													
Emergency / Rescue Equipment	48 133	20 168	-	-	-	68 301	11 883	6 179	-	-	18 062	50 239	31 000
<i>Furniture and Fittings:</i>													
Domestic and Hostel Furniture	-	1 499	-	-	-	1 499	-	-	-	-	-	1 499	-
Kitchen Appliances	56 084	8 612	-	-	-	64 696	13 896	11 256	-	-	25 152	39 544	6 611
Other Furniture	4 354 569	73 888	-	-	-	4 428 457	1 356 216	440 670	-	-	1 796 887	2 631 570	128 260
<i>Motor Vehicles:</i>													
Motor Cars	21 364 669	523 449	-	-	-	21 888 118	5 873 270	3 607 605	-	-	9 480 875	12 407 243	542 090
Trucks and Bakkies	1 250 881	3 357 132	-	-	-	4 608 013	745 665	420 742	-	-	1 166 407	3 441 606	3 357 132
<i>Office Equipment:</i>													
Air Conditioners	242 227	50 600	-	-	-	292 827	60 094	38 523	-	-	98 617	194 210	89 000
Audiovisual Equipment	13 158	-	-	-	-	13 158	3 264	2 612	-	-	5 876	7 282	-
Computer Hardware	5 966 335	617 091	303 994	-	-	6 887 420	2 000 325	1 841 093	-	-	3 841 418	3 046 002	872 705
Other Office Equipment	3 493 974	49 004	-	-	-	3 542 978	1 491 755	814 405	-	-	2 306 160	1 236 818	63 701
Paintings and Sculptures	63 218	-	-	-	-	63 218	15 705	3 141	-	-	18 846	44 373	-

APPENDIX B
MOGALAKWENA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
<i>Plant and Equipment:</i>													
Domestic Equipment	-	11 490	-	-	-	11 490	-	1 306	-	-	1 306	10 185	20 300
Electric Wire and Power Tools	28 965	15 630	-	-	-	44 595	7 683	6 690	-	-	14 373	30 222	-
Farm Equipment	21 553	707 000	-	-	-	728 553	5 977	13 368	-	-	19 345	709 208	707 000
Gardening Equipment	339 168	262 586	-	-	-	601 754	84 467	163 776	-	-	248 243	353 511	297 580
Laboratory Equipment	3 900	-	-	-	-	3 900	963	770	-	-	1 733	2 168	-
Medical and Allied Equipment	125 838	-	-	-	-	125 838	31 285	24 001	-	-	55 285	70 553	-
Other Plant and Equipment	4 355 833	-	-	-	-	4 355 833	871 159	754 405	-	-	1 625 565	2 730 269	-
Pumps and Plumbing Equipment	37 780	446 248	-	-	-	484 028	16 753	30 456	-	-	47 208	436 820	204 764
Radio Equipment	314 084	22 245	-	-	-	336 328	91 346	65 421	-	-	156 767	179 561	36 900
Road Construction Equipment	-	3 171 653	-	-	-	3 171 653	-	110 087	-	-	110 087	3 061 566	3 181 868
Security Equipment	100 153	-	-	-	-	100 153	43 817	22 690	-	-	66 506	33 647	-
Telecommunication Equipment	58 604	-	-	-	-	58 604	25 321	11 531	-	-	36 852	21 752	-
Trailers	282 402	149 735	-	-	-	432 137	87 613	50 937	-	-	138 550	293 586	149 735
Workshop Equipment	2 242 855	108 409	-	-	-	2 351 264	477 402	281 561	-	-	758 962	1 592 302	126 589
<i>Other Assets:</i>													
Laboratories	51	-	-	-	-	51	46	2	-	-	48	3	-
	45 141 014	9 799 871	303 994	-	-	55 244 879	13 361 905	8 801 508	-	-	22 163 413	33 081 466	10 058 235
Total	817 516 475	121 163 044	84 638 105	(1 348 064)	-	1 021 969 560	240 645 641	35 349 933	-	-	275 995 573	745 973 986	172 042 485

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties													
Land	4 864 000	-	-	-	-	4 864 000	-	-	-	-	-	4 864 000	-
	4 864 000	-	-	-	-	4 864 000	-	-	-	-	-	4 864 000	-

MOGALAKWENA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R
Intangible Assets													
Computer Software	3 564 086	118 225	-	-	-	3 682 311	1 575 204	981 091	-	-	2 556 295	1 126 016	-
	3 564 086	118 225	-	-	-	3 682 311	1 575 204	981 091	-	-	2 556 295	1 126 016	-
Total Asset Register	825 944 561	121 281 269	84 638 105	(1 348 064)	-	1 030 515 871	242 220 844	36 331 024	-	-	278 551 868	751 964 003	172 042 485

APPENDIX C
MOGALAKWENA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	2 815 203	18 713	303 994	-	-	3 137 909	800 675	537 579	-	-	1 338 254	1 799 655
Finance and Administration	221 756 417	584 479	-	-	-	222 340 896	47 626 138	7 947 557	-	-	55 573 695	166 767 201
Planning and Development	4 221 778	356 212	-	-	-	4 577 990	481 152	405 975	-	-	887 126	3 690 864
Health	14 663	-	-	-	-	14 663	3 628	2 073	-	-	5 702	8 962
Community and Social Services	1 285 838	321 516	2 251 052	-	-	3 858 405	283 108	172 245	-	-	455 353	3 403 052
Housing	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	4 516 973	134 505	476 781	-	-	5 128 258	1 662 449	803 811	-	-	2 466 260	2 661 998
Sport and Recreation	4 468 086	2 206 606	-	-	-	6 674 692	910 515	564 971	-	-	1 475 486	5 199 206
Environmental Protection	879 580	3 649	-	-	-	883 229	212 934	159 805	-	-	372 739	510 490
Waste Management	58 132 964	16 839 727	1 004 145	-	-	75 976 837	10 498 953	2 532 412	-	-	13 031 365	62 945 472
Roads and Transport	279 095 587	32 868 805	23 111 885	-	-	335 076 278	116 710 212	14 345 500	-	-	131 055 711	204 020 566
Water	143 786 404	29 867 870	57 405 425	-	-	231 059 699	37 621 980	3 449 129	-	-	41 071 109	189 988 590
Electricity	96 464 448	35 105 505	84 823	(1 348 064)	-	130 306 712	23 806 992	4 347 786	-	-	28 154 778	102 151 934
Other	78 533	2 855 458	-	-	-	2 933 991	26 907	81 089	-	-	107 996	2 825 996
Total	817 516 475	121 163 044	84 638 105	(1 348 064)	-	1 021 969 560	240 645 641	35 349 933	-	-	275 995 573	745 973 986

APPENDIX D
MOGALAKWENA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus/ (Deficit)	Description	2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)
R	R	R		R	R	R
87 664 929	63 785 302	23 879 627	Executive and Council	135 291 241	54 217 338	81 073 903
53 192 679	48 165 126	5 027 553	Finance and Administration	58 064 800	54 721 544	3 343 255
3 549 784	13 337 973	(9 788 189)	Planning and Development	1 641 920	13 555 800	(11 913 880)
92	77 568	(77 476)	Health	-	29 162	(29 162)
427 784	4 260 908	(3 833 124)	Community and Social Services	2 939 351	5 078 804	(2 139 453)
123 508	32 284	91 224	Housing	126 470	51 027	75 443
2 903 460	10 814 240	(7 910 780)	Public Safety	5 088 964	14 538 798	(9 449 834)
945 891	4 992 313	(4 046 422)	Sport and Recreation	3 311 134	6 527 455	(3 216 320)
19 105	1 456 436	(1 437 331)	Environmental Protection	45 449	1 450 179	(1 404 730)
47 689 313	30 765 766	16 923 547	Waste Management	39 074 549	27 556 513	11 518 036
63 337 852	42 644 157	20 693 696	Roads and Transport	60 131 224	34 822 291	25 308 933
101 367 630	62 291 501	39 076 128	Water	112 266 011	69 187 811	43 078 200
105 682 632	73 417 919	32 264 713	Electricity	137 281 749	99 818 192	37 463 557
2 055 190	966 624	1 088 566	Other	800 268	931 475	(131 207)
468 959 847	357 008 115	111 951 731	Total	556 063 129	382 486 389	173 576 740

APPENDIX E(1)
MOGALAKWENA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 10% versus Budget
REVENUE	R	R	R	%	
Property Rates	30 446 236	29 600 000	846 236	2.78	
Service Charges	170 631 037	162 330 610	8 300 427	4.86	
Rental of Facilities and Equipment	600 378	270 715	329 663	54.91	Revenue not budgeted for new lease agreement entered into
Interest Earned - External investments	13 144 398	10 500 000	2 644 398	20.12	Investments held more than budgeted for
Interest Earned - Outstanding debtors	16 079 093	2 130 000	13 949 093	86.75	Budgeted only for anticipated recoverable interest
Fines	1 338 610	1 136 755	201 855	15.08	More fines issued than anticipated
Licences and Permits	75 793	73 438	2 355	3.11	
Income for Agency Services	7 283 206	5 850 493	1 432 713	19.67	More licences issued than anticipated
Government Grants and Subsidies	308 438 651	349 565 889	(41 127 238)	(13.33)	Revenue not realised due to underspending on capital projects
Other Income	3 670 378	2 673 176	997 202	27.17	Revenue exceeded expectations
Public Contributions and Donations	503 860	344 810	159 050	31.57	Donations received that was not budgeted for
Profit on Sale of Land	3 851 489	2 000 000	1 851 489	48.07	Land Sales exceeded expectations
Total Revenue	556 063 129	566 475 886	(10 412 757)	(1.84)	
EXPENDITURE					
Employee Related Costs	114 503 189	125 237 402	(10 734 213)	(9.37)	
Remuneration of Councillors	13 003 863	13 437 785	(433 922)	(3.34)	
Collection Costs	101 476	285 000	(183 524)	(180.86)	Savings on expenditure realised
Depreciation	36 331 024	47 170 085	(10 839 061)	(29.83)	Decrease in depreciation due to implementation of GRAP 16, 17 and 102
Impairment Losses	24 849 343	21 472 777	3 376 566	13.59	Increased provision due to change in accounting policy
Repairs and Maintenance	48 700 214	44 511 111	4 189 103	8.60	
Bulk Purchases	83 022 981	90 197 581	(7 174 600)	(8.64)	
Contracted Services	15 222 459	17 114 768	(1 892 309)	(12.43)	Savings on expenditure realised
Grants and Subsidies Paid	30 972 716	26 507 911	4 464 805	14.42	Community project expenditure budgeted for under Capital - See Appendix E(2)
General Expenses	15 779 125	25 266 260	(9 487 135)	(60.12)	Savings on expenditure realised
Total Expenditure	382 486 389	411 200 680	(28 714 291)	(6.98)	
NET SURPLUS / (DEFICIT) FOR THE YEAR	173 576 740	155 275 206	18 301 534	(11.79)	

APPENDIX E(2)
MOGALAKWENA MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	2009/2010	Explanation of Significant Variances greater than 5% versus Budget
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	
	R	R	R	R	R	%	
Executive and Council	18 713	303 994	322 706	44 001	278 705	633.41	Capital under Construction from 2008/09 not budgeted for
Finance and Administration	584 479	-	584 479	846 463	(261 984)	(30.95)	Savings realised on several projects
Planning and Development	356 212	-	356 212	533 000	(176 788)	(33.17)	Saving realised on project for Hawkers' Shelter
Health	-	-	-	-	-	0.00	
Community and Social Services	321 516	2 251 052	2 572 567	2 497 859	74 708	2.99	
Housing	-	-	-	-	-	0.00	
Public Safety	134 505	476 781	611 286	652 401	(41 115)	(6.30)	Savings realised on projects
Sport and Recreation	2 206 606	-	2 206 606	1 950 216	256 390	13.15	Capital under Construction from 2008/09 not budgeted for; realised in 2009/10
Environmental Protection	3 649	-	3 649	5 000	(1 351)	(27.02)	Saving realised on Telephone Answering System
Waste Management	16 839 727	1 004 145	17 843 873	21 967 487	(4 123 614)	(18.77)	Household sanitation expensed in operational budget - See Appendix E(1)
Roads and Transport	32 868 805	23 111 885	55 980 691	60 284 289	(4 303 598)	(7.14)	Projects commenced late in financial year and carried over to 2010/11
Water	29 867 870	57 405 425	87 273 295	59 827 517	27 445 778	45.87	Capital under Construction from 2007/08 and 2008/09 not budgeted for
Electricity	35 105 505	84 823	35 190 328	22 526 974	12 663 354	56.21	Capital under Construction from 2008/09 not budgeted for; realised in 2009/10
Other	2 855 458	-	2 855 458	907 278	1 948 180	214.73	Capital under Construction from 2008/09 not budgeted for; realised in 2009/10
Total	121 163 044	84 638 105	205 801 149	172 042 485	33 758 664	19.62	

APPENDIX F
MOGALAKWENA MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies Delayed / Withheld					Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
		June	Sept	Dec	March	June	June	Sept	Dec	March	June	June	Sept	Dec	March	June		Yes / No	
FMG	Nat Treasury	0	750 000	0	0	0	0	219 753	88 914	146 426	474 510	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MIG Projects	MIG	0	16 000 000	0	25 774 000	25 775 000	0	6 292 615	13 157 581	24 033 246	19 431 901	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Equitable Share	Nat Treasury	0	63 266 055	50 613 051	0	42 391 239	0	63 266 055	50 613 051	0	42 391 239	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Bulk Infrastructure Grant	DWAF	0	6 539 618	7 788 037	18 152 448	5 600 586	0	11 755 945	9 580 172	10 596 601	16 259 426	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DWAF O & M	DWAF	0	5 224 000	0	10 914 000	3 792 000	0	5 163 316	8 299 792	2 962 914	3 503 978	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
DME Projects	DME	0	3 000 000	0	359 000	0	0	0	0	3 269 373	1 207 022	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
MSIG	DPLG	0	735 000	0	0	0	0	9 281	22 574	171 861	531 284	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
EPW Incentive Grant	Province	0	0	0	200 200	743 500	0	0	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
Total Grants and Subsidies Received		0	95 514 673	58 401 089	55 399 648	78 302 325	0	86 706 965	81 762 085	41 180 421	83 799 359	0	0	0	0	0			

(*) Did your municipality comply with the grant conditions in terms of "Grant Framework" in the latest Division of Revenue Act?